

IB BUSINESS MANAGEMENT ***50 WORKSHEETS PACK, 2ND EDITION***

UNIT 1: INTRODUCTION TO BUSINESS MANAGEMENT (SL & HL)

Dr. Rima Puri



Introduction

This resource pack contains 50 practical worksheets along with marking schemes, covering all aspects of the first module in the IB DP Business Management course (first exams 2024). The worksheets are arranged in the order of IB syllabus but can be used as per the requirements of your class (SL and HL). The worksheets can be integrated as part of your schemes or units of work, and can be used as classwork, revision exercises or simply for covering lessons during periods of teacher absence. The 2nd edition worksheets pack includes a range of exercises including:

- Defining key terms
- Matching word exercises
- Multiple-choice questions
- Exam-style revision questions
- Case studies
- Data response questions
- True or False questions
- Calculating and interpreting data
- Exam skills and techniques

The varied tasks cater for the needs of different students and make learning fun as well. The tasks are created in line with the assessment objectives and include various questions based on common mistakes made during the examination. This allows students to prepare well for the final examination. All worksheets are one page, providing convenience for teachers. Full answers are provided in this resource pack.

About the Author



Dr. Rima Dinesh Puri holds the position of Extended Essay Coordinator at an international school in Mumbai, India. She is a highly experienced IB educator, with more than fifteen years of teaching experience in the International Curricula, IBDP, and IGCSE curricula, coupled with five years of experience at the university level. Dr. Puri is a lifelong learner with proven academic excellence and has completed her Ph.D., M.Phil, PGDBM, and M.Com from various accredited universities. She has a wealth of expertise, including the role of Senior IB Examiner, Internal Assessment Moderator, Extended Essay examiner for Business Management, Cambridge Assessment Expert, Viva Voce examiner for university students, Research guide, and Evaluator for students pursuing Doctor of Philosophy in Commerce/ Management.

Dr. Puri's students have a proven record of achieving outstanding grades. She believes that every student can learn and that each one of them learns differently. Therefore, she practices interactive learning with her students, where she presents a diverse range of learning and assessment techniques to help the students grow and expand their knowledge.

Her interests range from academic writing to various extra-curricular activities. She finds her calling in physical fitness and regularly practices strength training and Kickboxing. Dr. Puri lives by the words of renowned director and author Fred DeVito "If it doesn't challenge you, it won't change you" and believes that the weights one lifts train the body to be fitter and the mind to be stronger.

Organizations, products, or individuals named in this resource pack are fictitious and any similarities with actual entities are purely coincidental.

IB Business Management
50 Worksheets Pack – Unit 1 (Introduction to Business Management)
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Worksheet 1 1.1 Primary sector

- (a) Define the term *primary sector*. [2 marks]

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- (b) The list below shows the largest countries by agricultural output according to data from the International Monetary Fund (IMF). From the list, use an arrow to match the country with the correct agriculture output level. [5 marks]

Output in USD billion	Rank		Country
118.3	1		Netherlands
79	2		USA
70.8	3		Brazil
68	4		France
55.4	5		Germany

- (c) The table below shows some important agricultural products produced in terms of quantity of production and the top producing countries. From the list, use arrows to match the most valuable crops/livestock and the top producing countries in 2019-2020. (Note: the value and production of individual crops varies from year to year as prices fluctuate due to the weather and other factors that influence agricultural production). [14 marks]

Crop/livestock	Global production		Top producing country
Quinoa	100,115 tonnes		Mexico
Chicken/meat	20.49 million tonnes		Spain
Soybeans	121.8 million tonnes		Vietnam
Sugar cane	270792 tonnes		China
Olive oil	1.13 million tonne		Egypt
Raspberry	182000 tonnes		United States
Rice/paddy	211,86 million tonnes		Peru
Oranges	16.71 billion tonnes		Brazil
Corn	42.87million tonnes		United States
Tomato	64.77 million tonnes		Brazil
Avocado	2.39 million tonnes		India
Banana	31.5 million tonnes		Turkey
Cherry	724934 tonnes		Indonesia
Dates	1.69 million tonnes		Russia



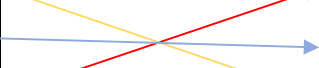
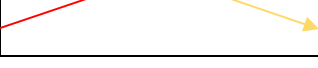

Worksheet 1 1.1 Primary sector

Answers








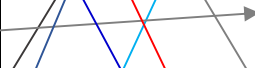




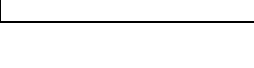

- (a) Define the term *primary sector*. [2 marks]

The primary sector is a section of the economy which is involved in the extraction and collection of natural resources, e.g., farming, forestry, mining, and fishing.

- (b) The list below shows the largest countries by agricultural output according to data from the International Monetary Fund (IMF). From the list, use an arrow to match the country with the correct agriculture output level. [5 marks]

Output in USD billion	Rank		Country
118.3	1		Netherlands
79	2		US
70.8	3		Brazil
68	4		France
55.4	5		Germany

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Avocado	2.39 million tonnes		India
Banana	31.5 million tonnes		Turkey
Cherry	724934 tonnes		Brazil
Dates	1.69 million tonnes		Russia

Worksheet 2
1.1 Secondary sector

(a) Define the term *secondary sector*.

[2 marks]

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(b) The list below shows the largest countries by industrial output according to the United Nations Statistics Division in 2021. From the list, use an arrow to match the country with the industrial output level. Students may need to use online sources to complete this task. [10 marks]

% of global industrial output	Rank		Country
28.7	1		Germany
16.8	2		UK
7.5	3		India
5.3	4		France
3.1	5		Indonesia
3	6		South Korea
2.1	7		China
1.9	8		Italy
1.8	9		Japan
1.6	10		United States

(c) The list below shows the top 10 countries where the majority of their national income comes from the industrial sector (as measured by the percentage of GDP). From the list, use arrows to match the countries with the percentage of their GDP coming from the secondary sector. Students may need to use online sources to complete this task. [10 marks]

Rank	% of their GDP comes from secondary sector	Country
1	63.8	Republic of Congo
2	61.4	Angola
3	58.7	Equatorial Guinea
4	57.8	Qatar
5	56.5	Libya
6	56.5	Puerto Rico
7	50.8	UAE
8	50.3	Kuwait
9	50.1	Brunei
10	49.8	Timur-Laste

Worksheet 2

1.1 Secondary sector

Answers

(a) Define the term *secondary sector*.

[2 marks]

The secondary sector of a country refers to business activities involving the processing of raw materials to produce manufactured goods. Examples include car manufacturing, construction, furniture making, and production of home appliances.

(b) The list below shows the largest countries by industrial output according to the United Nations Statistics Division in 2021. From the list, use an arrow to match the country with the industrial output level. Students may need to use online sources to complete this task. [10 marks]

% of global industrial output	Rank	Country/ Union
28.7	1	Germany
16.8	2	UK
7.5	3	India
5.3	4	France
3.1	5	Indonesia
3	6	South Korea
2.1	7	China
1.9	8	Italy
1.8	9	Japan
1.6	10	United States

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4	57.8	Qatar
5	56.5	Libya
6	56.5	Puerto Rico
7	50.8	UAE
8	50.3	Kuwait
9	50.1	Brunei
10	49.8	Timur-Laste

Worksheet 3
1.1 Tertiary sector

- (a) Define the term *tertiary sector*. [2 marks]

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- (b) The list below shows the largest countries by tertiary output, as measured by gross domestic product (GDP) in 2018, according to the latest data available from the International Monetary Fund. Use arrows to match the countries and the industrial output level. Students may choose to use online sources to help with this task. [10 marks]

Output in million USD	Rank		Country/Union
15,526,720	1		Germany
6,232,680	2		Italy
3,384,612	3		India
2,530,836	4		United Kingdom
2,062,260	5		Brazil
2,005,925	6		Canada
1,514,968	7		China
1,499,985	8		France
1,419,619	9		Japan
1,151,280	10		United States

- (c) The list below shows the countries where the majority of their national income (GDP) comes from the tertiary sector. From the list, use arrows to match the countries with the correct proportion of national income from the tertiary sector (students may choose to use online sources for this task). [10 marks]

Rank	% of GDP from tertiary sector		Countries
1	93.8		Bermuda
2	93.3		Barbados
3	88.1		Monaco
4	87.9		Luxembourg
5	86.8		Malta
6	86		Seychelles
7	83.7		Cyprus
8	82.0		Panama
9	81.0		United Kingdom
10	80.4		Maldives

Worksheet 3
1.1 Tertiary sector

Answers

- (a) Define the term *tertiary sector*. [2 marks]

The tertiary sector (or the services sector) consists of the production of services instead of physical products. Examples include healthcare, education, finance, and tourism.

- (b) The list below shows the largest countries by tertiary output, as measured by gross domestic product (GDP) in 2018, according to the latest data available from the International Monetary Fund. Use arrows to match the countries and the industrial output level. Students may choose to use online sources to help with this task. [10 marks]

Output in million USD	Rank		Country/ Union
15,526,720	1		Germany
6,232,680	2		Italy
3,384,612	3		India
2,530,836	4		United Kingdom
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1,419,619	9		Japan
1,151,280	10		United States

- (c) The list below shows the countries where the majority of their national income (GDP) comes from the tertiary sector. From the list, use arrows to match the countries with the correct proportion of national income from the tertiary sector (students may choose to use online sources for this task). [10 marks]

Rank	% of GDP from tertiary sector		Countries
1	93.8		Bermuda
2	93.3		Barbados
3	88.1		Monaco
4	87.9		Luxembourg
5	86.8		Malta
6	86		Seychelles
7	83.7		Cyprus
8	82.0		Panama
9	81.0		United Kingdom
10	80.4		Maldives

Worksheet 4
1.1 Economic sectors

(a) Define the term *quaternary sector*.

[2 marks]

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(b) For each organization below, identify the main business activities it is engaged in, and tick/check the main sector it belongs to. You can use the Internet to help you find the answers. [10 marks]

Organization	Main activities / products	Primary	Secondary	Tertiary	Quaternary
Spotify					
Samsung					
Cargill					
Tesla					
Shell					
McKinsey & Co.					
Volvo Group					
Banco Bradesco					
Sasol					
Ping An					

(c) The list below shows various business activities. Tick/check each business activity to identify the correct sector of the economy. [8 marks]

Business activities	Primary	Secondary	Tertiary	Quaternary
Online private tuition				
Commercial fish farming				
Car repairs				
Intellectual property consultancy				
Jewellery maker				
Helicopter manufacturer				
Coffee crops				
Personal fitness trainer				

Worksheet 4
1.1 Economic sectors

Answers

(a) Define the term *quaternary sector*.

[2 marks]

The quaternary sector consists of economic activities based on intellectual and knowledge-based skills. Examples of the activities in the quaternary sector include consultancy, information technology, media, online content development, and research and development (R&D).

(b) For each organization below, identify the main business activities it is engaged in, and tick/check the main sector it belongs to. You can use the Internet to help you find the answers. [10 marks]

Organization	Main activities / products	Primary	Secondary	Tertiary	Quaternary
Spotify	Online music streaming			✓	
Samsung	International conglomerate that produces far more than just consumer electronics		✓	✓	
Cargill	Animal husbandry	✓			
Tesla	Electric vehicles		✓		
Shell	Petrol and diesel		✓		
McKinsey & Co.	Consultancy services				✓
Volvo Group	Manufacturer of cars and trucks		✓		
Banco Bradesco	Banking and financial services			✓	
Sasol	Energy and chemicals		✓		
Ping An	Insurance services			✓	

(c) The list below shows various business activities. Tick/check each business activity to identify the correct sector of the economy. [8 marks]

Business activities	Primary	Secondary	Tertiary	Quaternary
Online private tuition			✓	
Commercial fish farming	✓			
Car repairs		✓		
Intellectual property consultancy				✓
Jewellery maker		✓		
Helicopter manufacturer		✓		
Coffee crops	✓			
Personal fitness trainer			✓	

Private tutoring in Zambia

Michael Hachikoko has been working as an English teacher in Zambia for more than 10 years. With the opening of several new international schools that use English as the medium of instruction, Michael has identified an opportunity in the market for providing private tutoring services to the students in Lusaka, the capital and largest city in Zambia. Michael has found a few suitable and young teachers who could support him in starting a private tutoring company. However, the management team at his school would not allow any employee to start a new company that could potentially create conflict of interest. To go ahead with his plan, Michael will need to resign from his present school and ensure he has sufficient start-up capital as well as an entrepreneurship mindset.

(a) Define the term *entrepreneurship*. [2 marks]

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(b) Define the term *start-up capital*. [2 marks]

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(c) Outline the meaning of a *start-up business*. [2 marks]

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(d) Explain **two** problems Michael Hachikoko’s business could face. [4 marks]

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(e) Suggest whether Michael Hachikoko should leave his teaching job in order to start his own private tutoring business. [6 marks]

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Answers

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- (a) Define the term *entrepreneurship*. [2 marks]

Entrepreneurship is the process or activity of setting up and running a business and taking on financial risks in anticipation of earning profit.

- (b) Define the term *start-up capital*. [2 marks]

Start-up capital (sometimes referred to as *seed capital*) refers to the initial sources of finance required and used to open a business.

- (c) Outline the meaning of a *start-up business*. [2 marks]

A start-up business (or simply a *start-up*) is a new business formed with the intention to bring a new commercial idea, good, or service to the market.

- (d) Explain **two** problems Michael Hachikoko's business could face. [4 marks]

- Michael does not have sufficient, if any, external funding for the start-up. He may therefore have to risk his personal savings.
- There is likely to be a lack of awareness of his proposed private tutoring company in Lusaka.
- Being a teacher is not the same as being an entrepreneur, i.e., Michael may encounter many business-related problems that he is not trained or experienced to deal with.

- (e) Suggest whether Michael Hachikoko should leave his teaching job in order to start his own private tutoring business. [6 marks]

Reasons for Michael to leave his job / set up his own business could include:

- There is an opportunity in the market for a private tutoring business in Lusaka.
- Michael, being a teacher for long time, has the core expertise to run English classes as part of his own business.
- He has been able to find a few suitable and young teachers who could support him in his business venture.

However, disadvantages of doing this include:

- The lack of funding (start-up capital).
- The lack of customer awareness (marketing) in the market as a private tutoring company.
- He will have to leave a secure and salaried job at the school where he has worked for 10+ years.

Michael needs to weigh the advantages and disadvantages of this decision. The success of his decision will depend on his ability to be financially independent without his job at the school. He also needs to conduct a competitor analysis to determine the market power and market share of any existing competitors. The success will also depend on the connections he is able to make with schools, parents, and clients in Lusaka.

Kylie Jenner

Kylie Jenner founded *Kylie Cosmetics*, the makeup company, in 2014 and within a few years became the youngest billionaire in the world. Her journey of becoming an entrepreneur continues to inspire many people. She began her career on a reality television show. Her obsession with makeup, insecurity with her lips, and watching tutorials were the driving forces to start up her company. Kylie pursued her passion by creating the well-known *Lip Kits*, which later grew to make up an entire empire under the *Kylie Cosmetics* name.

Kylie Cosmetics earned \$19 million in profits in just one day as it launched its product range in 2016. The collection has expanded since then, with a few best-selling brands such as Palettes, Matte Lip Kits, High Gloss, Liquid Lipsticks, Blushes, and Powders. Within the first 18 months, *Kylie Cosmetics* had a net worth of \$420 million. In 2018, Forbes reported that Kylie Jenner was the youngest self-made billionaire ever at the age of just 21. In October 2022, *Kylie Cosmetics* had a net worth in excess of \$1 billion.

Kylie focuses primarily on the use of social media marketing (SMM). Her followers on Twitter, Snapchat, and Instagram help to support sales and significantly reduce promotional cost. Collaboration with celebrities also increases her target audience. New products are regularly introduced, catering to different market segments.

- (a) Define the term *entrepreneurship*. [2 marks]

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- (b) State **two** characteristics that Kylie Jenner seems to have that might lead to the success of her business. [2 marks]

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- (c) Explain **two** reasons that have made *Kylie Cosmetics* successful. [4 marks]

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- (d) Outline **two** features of entrepreneurship. [4 marks]

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Answers

Kylie Jenner founded *Kylie Cosmetics*, the makeup company, in 2014 and within a few years became the youngest billionaire in the world. Her journey of becoming an entrepreneur continues to inspire many people. She began her career on a reality television show. Her obsession with makeup, insecurity with her lips, and watching tutorials were the driving forces to start up her company. Kylie pursued her passion by creating the well-known *Lip Kits*, which later grew to make up an entire empire under the *Kylie Cosmetics* name.

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Kylie focuses primarily on the use of social media marketing (SMM). Her followers on Twitter, Snapchat, and Instagram help to support sales and significantly reduce promotional cost. Collaboration with celebrities also increases her target audience. New products are regularly introduced, catering to different market segments.

- (a) Define the term *entrepreneurship*. [2 marks]

Entrepreneurship is the willingness and ability to create, organize, and run a business enterprise by taking risks and potentially getting profits in return.

- (b) State **two** characteristics that Kylie Jenner seems to have that might lead to the success of her business. [2 marks]

Creative abilities, passion for beauty and cosmetic products, desire to learn, innovative skills to name a few.

- (c) Explain **two** reasons that have made *Kylie Cosmetics* successful. [4 marks]

- Strong social media presence and followers on different platforms. This has attracted many customers and increased sales.
- Newer product introductions catering to different target customers, providing more choices to customers, and strengthening the brand image.
- Collaborations with celebrities can help to attract followers, increase product visibility, and create a favourable brand image.

- (d) Outline **two** features of entrepreneurship. [4 marks]

- Entrepreneurship contributes to economic value and brings positive change to local communities and (potentially) society as a whole.
- Entrepreneurs are open-minded and flexible individuals who support economic and social objectives.
- Entrepreneurship involves risk-taking. Entrepreneur takes calculated risks in business ventures in anticipation of earning profits in return.
- Entrepreneurs have the skills (such as creativity, innovation, and passion) to oversee the production process and exploit business opportunities.

Worksheet 7
1.1 Challenges and opportunities for starting up a business

(a) Outline the meaning of the phrase “opportunities for starting up a business”. [2 marks]

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(b) Use the key words in the table below to explain the main reasons why people set up their own business. [12 marks]

Key words	Reasons for setting up a business
Challenges	
Autonomy	
Personal interest	
Money	
Family business	
Job security	

(c) Use the key words in the table below to explain the main/common problems faced by a start-up business. [12 marks]

Key words	Problems faced by a start-up business
Cash flow	
Customer base	
Legal affairs	
Finance	
Marketing	
Start-up cost	

Worksheet 7
1.1 Challenges and opportunities for starting up a business

Answers

(a) Outline the meaning of the phrase “opportunities for starting up a business”. [2 marks]

Opportunities for starting up a business refers to the favourable situations that entrepreneurs can use to create new businesses and/or grow existing ones. These positive situations can include identifying unmet needs in the market, creating new goods or services, addressing changing trends in the market, or expanding into global markets. These opportunities can lead to business success and growth.

(b) Use the key words in the table below to explain the main reasons why people set up their own business. [12 marks]

Key words	Reasons for setting up a business
Challenges	Some individuals see excelling in the business world as a way to boost their self-esteem, self-confidence, and sense of achievement.
Autonomy	Some individuals like to be independent and do not want to work under the instructions of a manager/supervisor/boss.
Personal interest	Some people want to pursue the things they are interested in, e.g., a chef might have an interest to develop his/her passion by opening a restaurant.
Money	Running a successful business is a common way for many people as a means of earning money or profit.
Family business	Some individuals may want to retain the pride and prestige of the family business that is passed onto them.
Job security	In a volatile job market, with increasing competition for jobs, starting a business could be a safer option, as opposed to working for someone else.

(c) Use the key words in the table below to explain the main/common problems faced by a start-up business. [12 marks]

Key words	Problems faced by a start-up business
Cash flow	A new business is likely to have a short credit period, high marketing costs, and comparatively low sales revenue, thereby deteriorating its cash flow.
Customer base	A new business does not have a loyal customer base so it does not have established market share. This can create liquidity problems for the new firm.
Legal affairs	All businesses have to grapple with legal affairs (corporate laws), but those new to the business world may struggle to understand all the local, national, or international issues surrounding compliance.
Finance	New businesses tend to struggle with finance, which can limit their ability to pay for / purchase the necessary non-current assets needed to set up the business.
Marketing	New businesses often find it challenging to cater to the needs of the market, such as creating an appropriate marketing mix, especially in markets dominated by well-established market leaders.
Start-up cost	Apart from having fixed costs, businesses have many unforeseen and unbudgeted start-up costs, especially as those new to the business world lack experience in setting up and running their own business.

Worksheet 8
1.1 Economic sectors in Bangladesh

Economic sectors in Bangladesh

Bangladesh has one of the largest populations in the world, with over 165.2 million inhabitants recorded at the end of 2022. It operates a market economy and is ranked as the 41st largest economy in the world. Post-pandemic, the GDP of Bangladesh grew by over 7.2% in 2022 and 2023. The country's industries are diversified including fishing, natural gas, shipping, textiles, pharmaceuticals, telecommunications, leather, steel, and food processing.

The key industries in Bangladesh include agriculture, manufacturing, and finance. However, the agricultural sector is vulnerable to external environmental threats including adverse weather and natural disasters, thereby negatively impacting the country's growth and its investment in newer technologies. The manufacturing sector is dominated by the clothing industry which contributes 80% of Bangladesh's total exports. As the economy advances, the employment of labour in the services sector has shifted towards financial services, research, medicine, and higher education.

Table 1: Employment by sector in Bangladesh (% share), selected years

Year	Primary	Secondary	Tertiary
2009	47.5	16.8	35.7
2019	38.3	21.3	40.4
2021	37.1	21.7	41.2

Sources: adapted from [Asian Development Bank](#), [Statista](#), and [Trading Economics](#)

(a) Students of pirateIB, state **two** industries in the secondary sector. [2 marks]

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(b) Explain **two** possible reasons why the relative importance of the primary sector in Bangladesh might have fallen (see **Table 1**). [4 marks]

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(c) Outline the impact of increasing income in Bangladesh on the relative importance of the tertiary sector. [2 marks]

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Worksheet 8
1.1 Economic sectors in Bangladesh

Answers

Economic sectors in Bangladesh

Bangladesh has one of the largest populations in the world, with over 165.2 million inhabitants recorded at the end of 2022. It operates a market economy and is ranked as the 41st largest economy in the world. Post-pandemic, the GDP of Bangladesh grew by over 7.2% in 2022 and 2023. The country's industries are diversified including fishing, natural gas, shipping, textiles, pharmaceuticals, telecommunications, leather, steel, and food processing.

The key industries in Bangladesh include agriculture, manufacturing, and finance. However, the agricultural sector is vulnerable to external environmental threats including adverse weather and natural disasters, thereby negatively impacting the country's growth and its investment in newer technologies. The manufacturing sector is dominated by the clothing industry which contributes 80% of Bangladesh's total exports. As the economy advances, the employment of labour in the services sector has shifted towards financial services, research, medicine, and higher education.

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2019	38.3	21.3	40.4
2021	37.1	21.7	41.2

Sources: adapted from [Asian Development Bank](#), [Statista](#), and [Trading Economics](#)

(a) State **two** industries in the secondary sector. *[2 marks]*

Possible answers could include: clothes manufacturing, car manufacturing, construction, engineering, steelworks, energy production, or any other relevant manufacturing industry.

(b) Explain **two** possible reasons why the relative importance of the primary sector in Bangladesh might have fallen (see **Table 1**). *[4 marks]*

- High risks in the primary sector due to environmental threats, such as adverse weather and natural disasters, which reduces the scope for making profits. This attracts firms to other sectors.
- Resources in the primary products tend to deplete over time, such as oil, gas, and timber. This limits the growth potential of the sector.
- As the country develops, the wealth of individuals rises, increasing the living standards of local residents. Consumers tend to spend more of their higher incomes on services, such as travel and tourism. Therefore, the demand for the tertiary sector increases relative to the demand for the primary sector.

(c) Outline the impact of increasing income in Bangladesh on the relative importance of the tertiary sector. *[2 marks]*

With the increasing real GDP per person (higher average incomes) in Bangladesh, the demand for various services such as travel, private education, private hospitals, and professional services will increase. For example, the communications industry will grow and strengthen with advances in information communications technology (ICT). Hence the growth in the tertiary sector in Bangladesh will continue.

Worksheet 9

1.2 Key terms

The list below features definitions of some of the important business terms from Unit 1.2 in the syllabus: Types of organization. Use the correct key terms from the box to fill in the missing blanks.

Social enterprise	Annual general meeting	Flotation	Memorandum of Association		
Certificate of incorporation	Board of directors	Limited liability	Sole	Initial Public Offering	
Stock market partners	Deed	Non-governmental organization	Cooperative	Twenty	Silent

1. An _____ is a yearly gathering of a company's shareholders, where the directors of the company present financial information (final accounts) and report on the company's performance.
2. _____ is the process by which a privately held company sells its stock (shares) to external shareholders in the process of becoming a publicly held company.
3. An _____ refers to the process of selling shares of a privately held company to external investors (shareholders) on a public stock exchange, thereby converting the company into a publicly held company.
4. A _____ is a formal license issued to an organization which recognizes the business as a separate legal entity from its individual owners.
5. A _____ is a legal document prepared for the formation and registration process of a limited liability company.
6. A _____ is a physical or virtual place where shares of publicly held companies can be traded.
7. The _____ of partnership is a document containing an agreement between all partners participating in a business venture, as well as detailing the rights and obligations of each partner.
8. Stakeholders elect a _____ to run the company on their behalf.
9. _____ is the condition by which shareholders are legally responsible for the debts of a company only to the extent of the nominal value of their shares.
10. Some investors provide personal funds to form a partnership but choose not to take part in the day to day operations. These owners are called _____.
11. _____ are businesses with social objectives as the key business operation while focusing on generating revenue.
12. A _____ is a private sector organization that offers services to the public rather than primarily aiming to earn a profit.
13. A _____ is a for-profit organization owned and run jointly by its members. They share the profits or benefits of the business venture.
14. A _____ proprietor operates a business owned by a single person.
15. An ordinary partnership can have up to _____ owners.

Worksheet 9

1.2 Key terms

Answers

The list below features definitions of some of the important business terms from Unit 1.2 in the syllabus: Types of organization. Use the correct key terms from the box to fill in the missing blanks.

Social enterprise	Annual general meeting	Flotation	Memorandum of Association		
Certificate of incorporation	Board of directors	Limited liability	Sole	Initial Public Offering	
Stock market partners	Deed	Non-governmental organization	Cooperative	Twenty	Silent

1. An **annual general meeting** is a yearly gathering of a company's shareholders, where the directors of the company present financial information (final accounts) and report on the company's performance.
2. **Flotation** is the process by which a privately held company sells its stock (shares) to external shareholders in the process of becoming a publicly held company.
3. An **Initial Public Offering** refers to the process of selling shares of a privately held company to external investors (shareholders) on a public stock exchange, thereby converting the company into a publicly held company.
4. A **certificate of incorporation** is a formal license issued to an organization which recognizes the business as a separate legal entity from its individual owners.
5. A **Memorandum of Association** is a legal document prepared for the formation and registration process of a limited liability company.
6. A **stock market** is a physical or virtual place where shares of publicly held companies can be traded.
7. The **deed** of partnership is a document containing an agreement between all partners participating in a business venture, as well as detailing the rights and obligations of each partner.
8. Stakeholders elect a **board of directors** to run the company on their behalf.
9. **Limited liability** is the condition by which shareholders are legally responsible for the debts of a company only to the extent of the nominal value of their shares.
10. Some investors provide personal funds to form a partnership but choose not to take part in the day to day operations. These owners are called **silent partners**.
11. **Social enterprises** are businesses with social objectives as the key business operation while focusing on generating revenue.
12. A **non-governmental organization** is a private sector organization that offers services to the public rather than primarily aiming to earn a profit.
13. A **cooperative** is a for-profit organization owned and run jointly by its members. They share the profits or benefits of the business venture.
14. A **sole** proprietor operates a business owned by a single person.
15. An ordinary partnership can have up to **twenty** owners.

Worksheet 10
1.2 Types of business entities

- (a) Using the key terms in the table below, explain why investors might decide to buy shares in a publicly held company. *[6 marks]*

Capital gain	
Dividend	
Voting rights	

- (b) The table below shows examples of well-known firms. For each of these organizations, place a tick/check in the correct column heading. You can use the Internet to help complete this task. *[12 marks]*

Name of company	Publicly held companies	Privately held companies	Cooperatives
Amul			
Arla Foods			
Google			
IKEA			
Land O'Lakes			
LEGO			
Luis Vuitton			
Pepsi Cola			
PSS Spolem			
Raiffeisen Bank Switzerland			
Red Bull			
Rolex			
Sony			
State Farm Insurance			
The Associated Press			

Worksheet 10
1.2 Types of business entities

Answers

- (a) Using the key terms in the table below, explain why investors might decide to buy shares in a publicly held company. [6 marks]

Capital gain	Capital gain would enable investors to benefit from an increase in the price of each share they own in the company. This increases the value of their investment.
Dividend	Companies offer a percentage of their profits (after interest and tax) to their owners (shareholders).
Voting rights	With each share bought, an individual earns voting rights (or voting power) in order to have influence over the company's decisions/actions. This takes place during the annual general meeting (AGM).

- (b) The table below shows examples of well-known firms. For each of these organizations, place a tick/check in the correct column heading. You can use the Internet to help complete this task. [12 marks]

Name of company	Publicly held companies	Privately held companies	Cooperatives
Amul			✓
Arla Foods			✓
Google	✓		
IKEA		✓	
Land O'Lakes			✓
LEGO		✓	
Luis Vuitton		✓	
Pepsi Cola	✓		
PSS Spolem			✓
Raiffeisen Bank Switzerland			✓
Red Bull		✓	
Rolex		✓	
Sony	✓		
State Farm Insurance			✓
The Associated Press			✓

Masud

Masud is a rural farmer who operates as a sole trader in Egypt. He grows figs, which are sold in European cities. Working in the farming industry in Egypt can be challenging due to the harsh climate, which often results in low harvests and no income for some farmers. Due to Masud's preference for traditional ways of farming, he is not willing to introduce any new farming practices. His four children also work on the farm, so do not regularly attend school.

A recent flood caused local farmers to lose their produce. Masud conducted a thorough analysis to tackle a series of problems and identified two main external threats that are impacting the incomes of local farmers:

1. Increasing competition from fig producers in neighbouring countries with improved technology.
2. Unpredictability in weather conditions due to problems related to climate change.

Masud would like to improve his productivity as a fig farmer. An investment is required to improve productivity. However, Masud does not have much access to credit facilities in his village. However, he has arranged an informal meeting with local farmers to propose the creation of an agricultural cooperative.

Evaluate Masud's proposal to create an agricultural cooperative in his community rather than continuing to operate as a sole trader. *[10 marks]*

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Worksheet 11

1.2 Types of business entities – Masud

Answers

Masud

Masud is a rural farmer who operates as a sole trader in Egypt. He grows figs, which are sold in European cities. Working in the farming industry in Egypt can be challenging due to the harsh climate, which often results in low harvests and no income for some farmers. Due to Masud's preference for traditional ways of farming, he is not willing to introduce any new farming practices. His four children also work on the farm, so do not regularly attend school.

A recent flood caused local farmers to lose their produce. Masud conducted a thorough analysis to tackle a series of problems and identified two main external threats that are impacting the incomes of local farmers:

1. Increasing competition from fig producers in neighbouring countries with improved technology.
2. Unpredictability in weather conditions due to problems related to climate change.

Masud would like to improve his productivity as a fig farmer. An investment is required to improve productivity. However, Masud does not have much access to credit facilities in his village. However, he has arranged an informal meeting with local farmers to propose the creation of an agricultural cooperative.

Evaluate Masud's proposal to create an agricultural cooperative in his community rather than continuing to operate as a sole trader. [10 marks]

Being a sole trader, Masud experiences a lack of financial power and engages in a high-risk operation due to the nature of existing agricultural practices (which may be outdated and unproductive).

By forming a cooperative, the local farmers can pool resources together in order to raise the finance needed for investment in the new technology to improve their productivity and improve the marketing of their products to compete with larger international suppliers. Moreover, the farmers might be more motivated due to their willingness to collaborate and make decisions in a democratic manner to benefit all farmers. As a cooperative, they will be able to negotiate better loan deals and better prices for their crops with European customers.

With a cooperative arrangement, the financial gains will also be transferred into a social gain to meet the needs of the local community. Priority can be given to Masud's children's education instead of them having to support their father who works as a sole trader on the farm. This could be a significant benefit for Masud if the decision is approved to move towards having a cooperative. However, convincing every local farmer to create a cooperative could be a huge undertaking as many of the farmers are accustomed to traditional ways of farming.

Nevertheless, continuing to operate as a sole trader will leave the farmers with little or no market power at all. Cultural barriers can be overcome in the medium to long term, especially if profit is made, along with education, training, and wider community support.

Students should show a clear understanding of both sole traders and cooperatives as forms of business ownership. They should also analyse the advantages and disadvantages of these forms of business ownership and judge whether a cooperative may be a better option for Masud, given the context.

Award 1 – 2 marks if the answer shows limited understanding of the demands of the question, and makes minimal reference to sole traders and cooperatives.

Award 3 – 4 marks for an answer that describes the relative merits of sole traders and cooperatives, although the answer is descriptive and lacks depth.

Award 5 – 6 marks if the answer shows understanding of the demands of the question. There is appropriate use of business management terminology, and some evidence of application. Analysis lacks depth.

Awards 7 – 8 marks if the answer shows a good understanding of the demands of the question. The student presents a balanced and considered response in the context of the case study.

Awards 9 – 10 marks if the answer shows a good understanding of the demands of the question, with a balanced and well-considered response written in the context of the case study. There is evidence of appropriate critical and evaluative thinking.

Worksheet 12
1.2 Types of business organization – Advantages and disadvantages

(a) State **two** advantages and **two** disadvantages of being a sole trader. *[4 marks]*

	Advantages	Disadvantages
i.		
ii.		

(b) State **two** advantages and **two** disadvantages of being an ordinary partnership. *[4 marks]*

	Advantages	Disadvantages
i.		
ii.		

(c) State **two** advantages and **two** disadvantages of being a privately held company. *[4 marks]*

	Advantages	Disadvantages
i.		
ii.		

(d) State **two** advantages and **two** disadvantages of being a social enterprise. *[4 marks]*

	Advantages	Disadvantages
i.		
ii.		

Worksheet 12
1.2 Types of business organization – Advantages and disadvantages

Answers

(a) State **two** advantages and **two** disadvantages of being a sole trader. [4 marks]

	Advantages	Disadvantages
i.	The legal formalities to start the business are minimal, making it easier and quicker for the sole trader to start a business.	The owner is responsible for the amount of debt incurred by the business, with unlimited liability.
ii.	The sole trader can offer a more personalized service to customers.	It is difficult to raise finance as lenders may consider smaller businesses to be riskier and less profitable.

(b) State **two** advantages and **two** disadvantages of being an ordinary partnership. [4 marks]

	Advantages	Disadvantages
i.	The partnership can benefit from the expertise of each partner in the business.	Like sole traders, the owners in an ordinary partnership have unlimited liability.
ii.	An ordinary partnership does not need to publish its financial records to the general public.	If a partner dies or withdraws from the business, the partnership becomes void, forcing it to cease operations in the current legal form.

(c) State **two** advantages and **two** disadvantages of being a privately held company. [4 marks]

	Advantages	Disadvantages
i.	The owners of a privately held company maintain control of the business as the shares cannot be openly traded on a stock exchange to third parties.	Privately held companies cannot raise large amounts of capital compared to publicly held companies whose shares can be openly traded on a stock exchange.
ii.	The members of the company have limited liability, so the personal assets of investors and owners are not at risk if the company fails.	Many privately held companies are family-owned, which can cause major issues if there are disagreements between the shareholders.

(d) State **two** advantages and **two** disadvantages of being a social enterprise. [4 marks]

	Advantages	Disadvantages
i.	Making a positive impact in the society (based on the social cause of the organization).	Having to compete with commercial for-profit enterprises that are likely to have more funds.
ii.	Improved employee motivation, especially if employees feel more involved in their work and the organization's (social) purpose.	As for-profit organizations, social enterprises do not qualify for tax concessions despite their profits being used to help fund their social cause for the benefit of others.

Role of the public and private sectors in India

For a country like India, facing multi-dimensions issues, sufficient planning is required for its development. The public sector plays a dominant role in a country's economic development. It provides infrastructural facilities, tackles income and wealth disparities, and regulates the concentration of market power in the hands of a few dominant firms.

The public sector also provides employment opportunities in different sectors, attempts to reduce the economy's dependence on foreign aid, and implements social control. The development is complemented by the contributions of the private sector. For example, various sectors including consumer durables, non-consumer durables, engineering goods, electronics, automobiles, and textiles are under the control of the private sector.

(a) Students of piratelB, define the term *public sector*. [2 marks]

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(b) Outline how the public sector is financed. [2 marks]

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(c) Distinguish between the public sector and the private sector. [4 marks]

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(d) Explain **two** reasons why the Indian government privatizes some businesses in the public sector. [4 marks]

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Answers

Role of the public and private sectors in India

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The public sector also provides employment opportunities in different sectors, attempts to reduce the economy's dependence on foreign aid, and implements social control. The development is complemented by the contributions of the private sector. For example, various sectors including consumer durables, non-consumer durables, engineering goods, electronics, automobiles, and textiles are under the control of the private sector.

(a) Define the term *public sector*. [2 marks]

Businesses in the public sector are owned and controlled by the government. These businesses are mostly engaged in providing essential goods and/or services. They support the businesses that are under looked by the private sector due to various reasons. Some of these services are provided free to charge to consumers, such as education, health care, and emergency services.

(b) Outline how the public sector is financed. [2 marks]

The finance for the public sector comes from the taxes raised from business activity and consumption expenditure in the private sector, along with borrowed funds from domestic and/or international institutions.

(c) Distinguish between the public sector and the private sector. [4 marks]

- Ownership – Public sector businesses are owned and controlled by the government. Private sector businesses are owned and governed by private individuals and firms.
- Objectives – Public sector businesses provide essential goods and services, or the areas that shall be inefficiently provided by the private sector. The private sectors aim to make profits, whereas organizations in the public sector primarily aim to provide a service.
- Finance – The public sector is funded by taxes collected by the government and state loans. The private sector is financed through the capital and resources provided by private individuals and firms (such as sole traders, partnerships, privately held companies, and publicly held companies).

(d) Explain **two** reasons why the Indian government privatizes some businesses in the public sector. [4 marks]

- Increase the revenue for the government – By selling state-owned assets, the government increases its revenue. This money can be further used to fund its long-term investments, such as infrastructural expenditure.
- Improve operational efficiency – Private sector employees are more accountable to shareholders and their interests. There is greater profit orientation and a focus on customers; both of which increase efficiency.
- Increase competition or break up monopolies – This further benefits customers due to greater choice, lower prices, better quality service, and the creation/provision of new products.

Worksheet 14
1.2. Cooperatives

(a) Define the term *cooperatives*.

[2 marks]

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(b) The list below shows some of the largest cooperative businesses according to *The Guardian*. From the list, match the cooperative and the country of origin. You may choose to use an online source for help.

www.theguardian.com/social-enterprise-network/2012/jan/04/social-enterprise-blog-co-operatives-and-mutuals)

[10 marks]

Name of cooperative	Rank		Country/ Union
Crédit Agricole Group	1		Germany
Groupe Caisse D'Epargne	2		South Korea
National Federation of Agricultural Co-operatives	3		Netherlands
Confédération Nationale du Crédit Mutuel	4		Japan
Zenkyoren	5		France
Zentral-AktiengesellschaFU	6		France
E. Leclerc (S.C. Galec)	7		France
Rabobank Group	8		France
National Agricultural Cooperative Federation	9		Japan
CHS Inc	10		United States

(c) Explain **two** advantages and **two** disadvantages of operating a business as a cooperative.

[8 marks]

Advantages

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Disadvantages

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Worksheet 14 1.2. Cooperatives

Answers

- (a) Define the term *cooperatives*. [2 marks]

A cooperative is a privately-owned business that is owned and controlled by the people who use its goods or services. They are particularly useful for promoting the needs of certain sections of society.

- (b) The list below shows some of the largest cooperative businesses according to *The Guardian*. From the list, match the cooperative and the country of origin. You may choose to use an online source for help. [10 marks]
- www.theguardian.com/social-enterprise-network/2012/jan/04/social-enterprise-blog-co-operatives-and-mutuals

Name of cooperative	Rank		Country/ Union
Crédit Agricole Group	1		Germany
Groupe Caisse D'Epargne	2		South Korea
National Federation of Agricultural Co-operatives	3		Netherlands
Confédération Nationale du Crédit Mutuel	4		Japan
Zenkyoren	5		France
Zentral-AktiengesellschaFU	6		France
E. Leclerc (S.C. Galec)	7		France
Rabobank Group	8		France
National Agricultural Cooperative Federation	9		Japan
CHS Inc	10		United States

- (c) Explain **two** advantages and **two** disadvantages of operating a business as a cooperative. [8 marks]

Advantages could include an explanation of:

- It is relatively easy to set up a cooperative due to the minimal amount of legal paperwork involved. The time taken to start a cooperative is usually less compared to establishing a company.
- This form of business is managed with a democratic leadership style, resulting in less conflict and friction within teams (as there is equal say in decision-making).
- There are motivational impacts as cooperatives reward members based on their contributions to the business, ensuring more of an equitable distribution of profits.

Disadvantages could include an explanation of:

- Due to the nature of the business, cooperatives are typically smaller in size so have less capital to expand compared to limited liability companies.
- The lack of a profit-maximizing motive can discourage some employees from giving their best. It can also limit innovation and creativity within the cooperative.
- Members of a cooperative may lack management expertise, making it more difficult to make strategic decisions or to innovate, which can hinder the cooperative's competitiveness in the market.

Worksheet 15
1.2 Types of business entities – Kiva

Kiva

More than 1.7 billion people around the world do not have a bank account and cannot access the financial services they need. *Kiva* is an international non-profit organization, founded in 2005 in San Francisco, USA with a mission to expand financial access to help underserved communities (areas with inadequate services) in order for them to thrive. *Kiva* does this by crowdfunding loans and unlocking capital for the underserved, improving the quality and accessibility of financial services, and addressing the underlying barriers to access to finance around the world. Through *Kiva*'s work, students can pay for their tuition, women can start their own businesses, farmers can invest in capital equipment, and families can afford needed emergency care.

Source: adapted from <https://www.kiva.org/about>

(a) Define the term *non-profit organization*. [2 marks]

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(b) Define the term *crowdfunding*. [2 marks]

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(c) Explain **two** important characteristics of a non-profit organization such as *Kiva*. [4 marks]

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(d) Explain **one** advantage and **one** disadvantage of microfinance providers like *Kiva*. [4 marks]

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Worksheet 15

1.2 Types of business entities – Kiva

Answers

More than 1.7 billion people around the world do not have a bank account and cannot access the financial services they need. *Kiva* is an international non-profit organization, founded in 2005 in San Francisco, USA with a mission to expand financial access to help underserved communities (areas with inadequate services) in order for them to thrive. *Kiva* does this by crowdfunding loans and unlocking capital for the underserved, improving the quality and accessibility of financial services, and addressing the underlying barriers to access to finance around the world. Through *Kiva*'s work, students can pay for their tuition, women can start their own businesses, farmers can invest in capital equipment, and families can afford needed emergency care.

Source: adapted from <https://www.kiva.org/about>

(a) Define the term *non-profit organization*. [2 marks]

A non-profit organization is a legal entity that operates for a collective or social benefit rather than the generation of profits for its shareholders or owners. The surplus generated from the business activities is reinvested in the business to achieve its organizational objective rather than distributing this amount to the owners as dividends.

(b) Define the term *crowdfunding*. [2 marks]

This is a method of finance that involves raising a small amount of money from a large number of individuals to finance a particular project or a new business opportunity. The finance is usually raised through friends, family, and known individuals through the use of online and social media platforms.

(c) Explain **two** important characteristics of a non-profit organization such as *Kiva*. [4 marks]

Possible answers include an explanation of any two of the following, although this is not an exhaustive list:

- NPOs are formed for the welfare of the community and not profit orientation, e.g., *Kiva* offers financial services to customers such as women and disadvantaged groups falling in the low-income bracket.
- The surplus generated from the business activities is reinvested in the business to achieve the organization's objectives. *Kiva* provides a small number of loans, without collateral, and with favourable repayment terms.

(d) Explain **one** advantage and **one** disadvantage of microfinance providers like *Kiva*. [4 marks]

Advantages of microfinance providers like *Kiva* could include an explanation of any one of the following points:

- They help to reduce or eradicate poverty, mainly in low-income countries.
- They help to empower women and the underserved.
- They facilitate sustainable development.
- They can provide vocational training to women, the unemployed, and unprivileged members of society.
- By helping the poorest members of society, microfinance providers act in a socially responsible way.
- They help to encourage entrepreneurship and financial independence.

Disadvantages of microfinance providers like *Kiva* could include an explanation of any one of the following points:

- Due to relatively low-profit margins, microfinance institutions may struggle to attract and/or retain the best employees (as their remuneration package may not match that provided by larger for-profit financial institutions, such as commercial banks).
- The government might become complacent or lack focus on public healthcare and employment as a result of assuming that the microfinance providers will offer these opportunities for low-income individuals and households.
- Many microfinance institutions had questionable loan collection methods and financial practices, which are not regulated in the same way as other mainstream commercial finance providers.
- It is still debatable if microfinance can be used as a tool for economic growth and development in society as there is a lack of conclusive data.

Fitness for All

Greema and James have been friends for many years. Greema is a commerce graduate and has a master’s degree in advertising and marketing. She has in-depth knowledge of the local business environment. During her university course, she also did an internship with several firms and acquired real-life experience in managing cash. She aspires to become an **entrepreneur** and is always willing to take up new challenges.

James is a fitness enthusiast and has a keen interest in bodybuilding. He is a certified trainer by ‘The world Fitness Federation for Sports and Fitness’. He is determined and motivated. He aspires to provide fitness services to all, irrespective of age, health issues, and fitness level.

Greema has savings from her part-time job, while James received \$10,000 as a gift from his father. Greema and James are interested in the health industry, which is projected to have an annual growth rate of 8.90% for the next 5 years. Analysts expect the market to be worth \$9.83bn by then. Greema believes that Millennials are willing to invest in their health, but there is a high degree of competition in the market. James thinks they should form a partnership, but Greema prefers the benefits of being a privately held company and has suggested the name *Fitness for All*.

(a) Describe the sector in which *Fitness for All* will operate. [2 marks]

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(b) Identify **two** characteristics of an entrepreneur. [2 marks]

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(c) Recommend whether Greema and James should establish the business as a partnership or as a privately held company. *You can continue your answer on a separate sheet.* [10 marks]

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Answers

- (a) Describe the sector in which *Fitness for All* will operate. [2 marks]

Fitness for All would operate in the tertiary sector. This is because it aims to provide fitness services to all segments of the market, irrespective of their age, health issues, and fitness level. The tertiary sector focuses on providing services to consumers and other businesses.

- (b) Identify **two** characteristics of an entrepreneur. [2 marks]

Possible answers could include:

- Capable of planning and executing
- Creative / creativity skills
- Willingness and ability to take calculated risks
- Communicator / effective communicator
- Innovative/ visionary
- Any other relevant characteristic

- (c) Recommend whether Greema and James should establish the business as a partnership or as a privately held company. *You can continue your answer on a separate sheet.* [10 marks]

Arguments in favour of a partnership could include:

Relatively easy to set up, benefits of specialization/ division of labour and complementary skills of the partners, sharing of costs and expenses, less legal expenses than a limited liability company, terms and conditions can be clearly laid out in the partnership deed, and there is greater confidentiality of business affairs.

Arguments against forming a partnership include:

Unlimited liability, less market standing than a limited liability company so can be difficult to raise capital, and the potential of a lack of continuity if a partner pulls out / leaves for whatever reason.

Arguments in favour of setting up a privately held company include:

The owners having limited liability, it is relatively easy to raise finance compared to a partnership, shares are not listed on the stock exchange so Greema and James can maintain control and ownership of *Fitness for All*, and there is better continuity of the business.

Arguments against setting up as a privately held company include:

There are higher costs and a greater amount of time involved compared to setting up a partnership, legal fees are higher and there are auditing expenses, and there is a lack of privacy since accounts are to be made available if requested.

Points to consider for evaluation/recommendation:

- Limited availability of capital at present – Greema has some savings from her part-time job and James has just received \$10,000 from his father as a gift. This is a strong reason to keep their liability limited and perhaps to start their business as a privately held company.
- The intensity of competition needs to be considered at the time of deciding the legal ownership structure.
- The ease of starting the business alone is not a valid reason to start as a partnership given that a long-run perspective should also be considered in the decision.

Dairy Farmers of America Inc.

Dairy Farmers of America Inc. (DFA) is a national milk marketing cooperative in the United States formed in 1998 through the merger of four dairy cooperatives including the Southern region of Associated Milk Producers Inc., Mid-America Dairymen Inc., Milk Marketing Inc., and Western Dairymen Cooperative Inc. The cooperatives lay the foundation for dairy farmers in the US by providing support to its members including marketing, training, and technical assistance. DFA has more than 18,000 farmers as members with annual sales turnover of around \$14.7 billion. DFA provides several benefits to its members and represents a diverse community of family farmers who are engaged in bringing fresh dairy products to wholesale buyers both domestically and abroad. DFA has expanded through various acquisitions, partnerships, and mergers. Today, it is one of the largest dairy companies in the world.

Source: adapted from [DFA](#)

(a) Define the term *co-operatives*. [2 marks]

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(b) Identify **two** reasons why members join cooperatives such as DFA. [2 marks]

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(c) Outline **two** features of a co-operative. [4 marks]

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(d) Explain **two** advantages of co-operatives such as DFA. [4 marks]

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(e) Explain **two** disadvantages of establishing a business as a co-operative. [4 marks]

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Answers

- (a) Define the term *co-operatives*. [2 marks]

Cooperatives are for-profit social enterprises that are owned and managed by their members such as customer cooperatives, employee cooperatives, managerial cooperatives, and producer cooperatives.

- (b) Identify **two** reasons why members join cooperatives such as DFA. [2 marks]

Possible reasons include:

- To increase their bargaining power.
- To influence decision-making (as members get voting).
- To get a competitive price for milk produced by the farmers.
- To get a share of the cooperative's declared profits.
- To gain fringe benefits such as health insurance from being enrolled with the DFA.

- (c) Outline **two** features of a co-operative. [4 marks]

Relevant features include:

- Cooperatives have a separate legal entity from their shareholder owners, so members are not held personally liable for any debts incurred by the cooperative.
- They provide a service for their members and add value rather than being profit orientation.
- All members of have equal voting rights, irrespective of the amount invested by them or their role in the business.
- They have a democratic culture and members are involved in the decision-making. The decision-making process is decentralized.

- (d) Explain **two** advantages of co-operatives such as DFA. [4 marks]

Possible advantages include:

- Increased probability of success as all the members are expected to run the cooperative.
- Straightforward and relatively inexpensive to set up.
- Cooperatives enjoy tax concessions as they focus on the interests of their members.
- Democratic in nature with all the members enjoy equal voting rights. Above all, the cooperative is run in the interest of its members.
- They often enjoy financial and non-support from the government since the interest is to benefit their members and society at a large.
- There is increased continuity, unlike sole traders or partnerships.

- (e) Explain **two** disadvantages of establishing a business as a co-operative. [4 marks]

Possible disadvantages include:

- Difficulties in raising financial capital since it is not profit-oriented. Investors and financial institutions are not so willing to invest for this reason. Hence, the capital is limited to the amount contributed by their members.
- There is a lack of financial motivation, which limits the performance and productivity of employees.
- It can be difficult to hire specialist managers due to financial constraints. Hence, this can limit the success of the cooperative.
- All members have equal voting rights even though some members will have greater responsibilities and contributions than others (but still, they get one vote). This could limit the effectiveness of decision-making and creates inefficiencies.

Doctors Without Borders

Doctors Without Borders is a **non-profit social enterprise** run as a non-government organization (NGO) to provide humanitarian assistance to victims of conflict, natural disasters, epidemics, and healthcare exclusion effectively and impartially. The organization commits to caring for patients and providing attention to their emergency needs. It was founded in 1971 by a group of doctors and journalists in the wake of war and famine in Biafra, Nigeria. Founded by 13 members, the organization has grown to 300 volunteers including doctors, nurses, experts, and other members.

Doctors Without Borders has grown with more than 45,000 staff providing over 10 million medical consultations in more than 70 countries every year. Private donors provide about 90% of their funding and the remaining 10% through corporate donations. Approximately 85% of the donations received are spent on medical humanitarian programmes, 14% on fundraising projects, and 1% on management and general expenses. *Doctors Without Borders* prides being a recipient of an 'A' rating from the American Institute of Philanthropy.

Source: [Doctors Without Borders](#)

(a) Define the term *non-profit social enterprises*. [2 marks]

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(b) Explain **two** advantages to *Doctors Without Borders* of operating as a non-profit social enterprise. [4 marks]

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(c) Explain **two** disadvantages to *Doctors Without Borders* of operating as a non-profit social enterprise. [4 marks]

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Answers

Doctors Without Borders

Doctors Without Borders is a **non-profit social enterprise** run as a non-government organization (NGO) to provide humanitarian assistance to victims of conflict, natural disasters, epidemics, and healthcare exclusion effectively and impartially. The organization commits to caring for patients and providing attention to their emergency needs. It was founded in 1971 by a group of doctors and journalists in the wake of war and famine in Biafra, Nigeria. Founded by 13 members, the organization has grown to 300 volunteers including doctors, nurses, experts, and other members.

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Source: [Doctors Without Borders](#)

(a) Define the term *non-profit social enterprises*. [2 marks]

Non-profit social enterprises are organizations that aim to provide a solution to important social or environmental issues and not to provide returns to their owners. The surplus made is not distributed to their shareholders or owners but rather reinvested in the organization to accomplish their vision.

(b) Explain **two** advantages to *Doctors Without Borders* of operating as a non-profit social enterprise. [4 marks]

- They exist for the benefit of society and local communities. This makes it easier to raise funds for various events or projects. *Doctors Without Borders* can raise funds through private and corporate donations, for example, in order to meet the organization's goals.
- Governments provide support in form of subsidies and concessions to reduce their operational costs. As a non-profit social enterprise, *Doctors Without Borders* would qualify for tax exemption.
- Positive influence on the community at large as people in society receive the services and facilities provided by *Doctors Without Borders*, donors who contribute to the cause, and employees who are part of this social cause.

(c) Explain **two** disadvantages to *Doctors Without Borders* of operating as a non-profit social enterprise. [4 marks]

- Strict government control and guidelines must be followed at all times. *Doctors Without Borders* must disclose its financial statements to ensure the appropriate use of funds and fairness (transparency) in its financial transactions.
- The compensation (remuneration) of workers is usually less than in profit-based organizations. This can make it difficult for employees at *Doctors Without Borders* to meet their basic needs.
- The survival and growth of *Doctors Without Borders* depend on donations from the public at a large. This may vary depending on various factors. Essentially, *Doctors Without Borders* may find it challenging to raise funds to meet its objectives.

Peter Dunoon

Peter Dunoon owns a small factory in which he processes coffee beans, packs them, and supplies them to retail businesses. He started as a **sole trader** in 2006 and has a loyal set of customers. However, demand is falling due to increased competition from other suppliers. Several large businesses have opened cafés that encourage people to visit rather than enjoy coffee at home. Consumer income is increasing, and people look for experience rather than just a cup of coffee. A fall in profits and changing consumer preferences are making Peter consider the opportunity to close his factory and open his own café. He has enough experience but lacks the capital. He is considering the option to form a partnership or privately held company.

(a) Define the term *sole trader*. [2 marks]

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(b) Describe the sector in which Peter Dunoon currently operates. [2 marks]

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(c) Identify **two** problems that Peter Dunoon might face in opening a café. [2 marks]

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(d) Differentiate between partnerships and privately held companies. [4 marks]

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(e) Examine the costs and benefits to Peter Dunoon of operating as a sole trader. [6 marks]

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Answers

Peter Dunoon

(a) Define the term *sole trader*. [2 marks]

An unincorporated form of business that is owned and controlled by an individual. The person invests the capital, takes the risk, and enjoys the profit (if any) in return.

(b) Describe the sector in which Peter Dunoon currently operates. [2 marks]

Peter operates in the secondary sector as he processes coffee beans and packs them to supply to retail stores.

(c) Identify **two** problems that Peter Dunoon might face in opening a café. [2 marks]

- Lack of experience in running a café / operating in the tertiary sector.
- Threat from competition from established cafés.
- Lack of capital for investment in the new business venture.

(d) Differentiate between partnerships and privately held companies. [4 marks]

- Identity – A partnership does not have an identity of its own; it comes into existence when two or more people join to start a partnership. A company is a separate legal entity in the eyes of the law and is separate from its owners.
- Liability – Partners have unlimited liability and are accountable for any debts of the business. The liability in a privately held company is limited to the amount of capital invested. Personal possessions are not attached to pay the debts of the business.
- Distribution of profits – The partners share the profits as stated in the partnership deed. The profits of a privately held company belong to and are shared among the various shareholders.

(e) Examine the costs and benefits to Peter Dunoon of operating as a sole trader. [6 marks]

Possible costs include:

- Unlimited liability- In event of a loss being made by the business, Peter's personal possessions may need to be used to pay off the debts of the business.
- Lack of capital – Peter would find it difficult to raise finance to expand. His funds would be limited to his capital and borrowings.
- High risk involved operating as a sole proprietor.
- There is no sharing of burdens, workloads, and losses.
- Lack of continuity if the owner is unwell or wishes to take a break/vacation.
- Few, if any, opportunities for economies of scale due to the limited size.

Possible benefits include:

- An easy and quick method to set up with few legal formalities.
- Full control of the firm's operations.
- Faster decision making as there is no consultation needed to make decisions.
- Being the only owner (no shareholders), Peter gets to keep all the profits of the business.
- Peter can enjoy increased privacy as there is no legal requirement to disclose the accounts to the general public.

Vision and mission statements

The Walt Disney Company’s mission statement is “to entertain, inform, and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds, and innovative technologies that make ours the world’s premier entertainment company.”

Audi’s vision statement is simply “Audi - the premium brand.”

PepsiCo’s mission statement is “to provide consumers around the world with delicious, affordable, convenient, and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats.”

Google’s mission statement is “to organize the world’s information and make it universally accessible and useful.”

Source: company websites

(a) Define the term *mission statement*. [2 marks]

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(b) With reference to the examples above, explain the role of vision and mission statements in business organizations. [4 marks]

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(c) Suggest how these mission and vision statements might be communicated to any **two** different stakeholder groups. [4 marks]

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Answers

Vision and mission statements

The Walt Disney Company's mission statement is "to entertain, inform, and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds, and innovative technologies that make ours the world's premier entertainment company."

Audi's vision statement is simply "Audi - the premium brand."

PepsiCo's mission statement is "to provide consumers around the world with delicious, affordable, convenient, and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats."

Google's mission statement is "to organize the world's information and make it universally accessible and useful."

Source: company websites

(a) Define the term *mission statement*. [2 marks]

A mission statement is a written statement outlining the core aims and values of a business phrased in a manner to communicate to different stakeholder groups and to motivate its employees. The statement typically communicates what an organization is, why it exists, and its areas of operation.

(b) With reference to the examples above, explain the role of vision and mission statements in business organizations. [4 marks]

The mission statement informs key stakeholders about the reason for the business's existence. It communicates the overarching aim or goal to be accomplished. This helps to motivate employees and provides them with a sense of purpose and direction. For example, PepsiCo's mission statement focuses on differentiated products that are manufactured to meet their customers' needs. This directs the workers to take continuous efforts and innovate new offerings. The statement focuses on creating a strong partnership with different stakeholders as PepsiCo expands. Audi focuses on consistency and quality to create a premium product. It has mastered the art of designing unique products that allow it to position itself as a high-quality brand in the car industry.

(c) Suggest how these mission and vision statements might be communicated to any **two** different stakeholder groups. [4 marks]

- Shareholders – The mission and vision statements are typically included in the published accounts and communicated to the shareholders.
- Employees – The mission and/or vision statements are usually included in business plans, the company's newsletter, prospectus, and other publications.
- Customers – The mission and vision statements can be communicated on website and portrayed as slogans displayed in advertisements and other promotional activities conducted by businesses.
- Accept any other relevant stakeholder group, written in the context of the stimulus material.

Worksheet 21
1.3 Business objectives (1)

Business objectives

(a) Explain the importance of each of the business objectives in the table below.

Business objectives	Explanation
Business growth	
Profit	
Protecting shareholders value	
Ethical objectives	

(b) With the use of relevant examples, differentiate between strategic and tactical objectives.

Strategic objectives	Tactical objectives

Worksheet 21
1.3 Business objectives (1)

Answers

(a) Explain the importance of each of the business objectives in the table below.

Business objectives	Explanation
Business growth	Business growth is required for a firm's survival in a dynamic and competitive environment. Growth is measured by indicators such as an increase in output or sales, number of outlets, size of workforce, capital employed, or market share. Larger firms benefit from economies of scale and attract customers to buy more. Employees are further motivated as the business expands as this assures them about job security and allows them to get increased remuneration. Business growth also attracts investors to invest more.
Profit	Profit is the positive difference between total revenue and total costs. It represents the financial reward for risk-taking and allows the business to grow further. Profit also allows the financing of other expansion projects. Dividends (a proportion of a firm's profits) are distributed to shareholders in return for their investment in the business.
Protecting shareholders value	This includes consistently earning a profitable return for shareholders. The shareholders invest capital in the business in return for dividends and capital gain. Profit-based organizations must prioritize the interests of shareholders above other stakeholders. Their interests should always be protected and the directors must balance the short-term profits in the form of dividends with long-term goals of the company.
Ethical objectives	Ethical objectives concerning different stakeholders must be accomplished by a business. For instance, businesses must trade fairly, reduce/recycle/dispose of waste in an environmentally safe manner, pay suppliers on time, be sensitive towards the well-being of employees, and implement sustainable trade practices.

(b) With the use of relevant examples, differentiate between strategic and tactical objectives.

Strategic objectives	Tactical objectives
<p>Purpose: The main purpose is to achieve the broader goal of the business.</p> <p>Period: Strategic objectives focus on the long term.</p> <p>Flexibility: Strategic objectives are not altered frequently.</p> <p>Accountability: Managers and directors are responsible for strategic objectives.</p> <p>Output: Strategic objectives create goals or targets for businesses and a sense of direction to accomplish these.</p>	<p>Purpose: Its purpose is to achieve specific aspects of the main business goal.</p> <p>Period: Tactical objectives are set to achieve specific goals in the short term.</p> <p>Flexibility: Tactical objectives are flexible and alter as per the dynamic business environment.</p> <p>Accountability: Supervisors and line managers are accountable for tactical objectives.</p> <p>Output: Tactical objectives set to accomplish deliverables (work that is completed within the process) using productive resources.</p>

Worksheet 22
1.3 Business Objectives- True or False

Answer the following true or false questions.

No.	Statement	True or False?
1.	Mission statements are not concerned with quantifiable goals and simply outline the key purpose of an organization's existence.	
2.	A mission statement should be clearly defined and unachievable as it is only aspirational.	
3.	Mission statements are often featured in company newsletters and magazines to communicate this to key stakeholder groups.	
4.	Fairer trade conditions, reducing pollution, and safe disposal of waste are examples of ethical behaviour toward the environment.	
5.	Profit maximization is the only business objective of private sector firms.	
6.	Business objectives provide a sense of purpose for all individuals and departments of an organization, guide their decision-making, provide a sense of direction, and direct corporate strategies.	
7.	The inability to grow hinders a firm's competitiveness and can threaten its sustainability.	
8.	The presence of health and safety legislative practices increases the potential to exploit workers.	
9.	Increasing the sales revenue of a product line by \$20m within the next year is an example of a strategic objective.	
10.	Improving market share is an example of a strategic objective.	
11.	Profit maximization is producing at that level of output where there is the greatest positive difference between total revenue and total cost.	
12.	In an organization, there is usually a hierarchy of objectives that are communicated to all key stakeholders of the organization.	
13.	"To have the highest market share of truck dealerships in the city" is an example of an operational objective.	
14.	Customers tend to avoid businesses that behave in an unethical way.	
15.	Businesses with strong ethical objectives tend to attract more candidates for a job and improve the motivation level of the existing workforce.	
16.	Unethical behaviour can cost businesses in the long run.	
17.	By establishing a strong connection with the local community, businesses are more likely to improve their brand image.	
18.	A vision statement directs to the future states that a business would like to see itself as, eventually.	
19.	Corporate social responsibility is based on a firm's values and actions towards its various stakeholders, including the local community and environment.	
20.	It is not possible for ethical objectives to cause stakeholder conflicts.	

Worksheet 22
1.3 Business Objectives- True or False

Answers

No.	Statement	T/F?
1.	Mission statements are not concerned with quantifiable goals and simply outline the key purpose of an organization's existence.	True
2.	A mission statement should be clearly defined and unachievable as it is only aspirational. An organization intends to achieve its mission statement over time	False
3.	Mission statements are often featured in company newsletters and magazines to communicate this to key stakeholder groups.	True
4.	Fairer trade conditions, reducing pollution, and safe disposal of waste are examples of ethical behaviour toward the environment.	True
5.	Profit maximization is the only business objective of private sector firms. There are other objectives, such as ethical objectives towards employees, suppliers, and the environment	False
6.	Business objectives provide a sense of purpose for all individuals and departments of an organization, guide their decision-making, provide a sense of direction, and direct corporate strategies.	True
7.	The inability to grow hinders a firm's competitiveness and can threaten its sustainability.	True
8.	The presence of health and safety legislative practices increases the potential to exploit workers. Health and safety legislative practices prevents the exploitation of workers	False
9.	Increasing the sales revenue of a product line by \$20m within the next year is an example of a strategic objective. This is a short-term tactical objective, connected with a certain department	False
10.	Improving market share is an example of a strategic objective.	True
11.	Profit maximization is producing at that level of output where there is the greatest positive difference between total revenue and total cost.	True
12.	In an organization, there is usually a hierarchy of objectives that are communicated to all key stakeholders of the organization.	True
13.	"To have the highest market share of truck dealerships in the city" is an example of an operational objective. This is an example of a strategic objective.	False
14.	Customers tend to avoid businesses that behave in an unethical way.	True
15.	Businesses with strong ethical objectives tend to attract more candidates for a job and improve the motivation level of the existing workforce.	True
16.	Unethical behaviour can cost businesses in the long run.	True
17.	By establishing a strong connection with the local community, businesses are more likely to improve their brand image.	True
18.	A vision statement directs to the future states that a business would like to see itself as, eventually.	True
19.	Corporate social responsibility is based on a firm's values and actions towards its various stakeholders, including the local community and environment.	True
20.	It is not possible for ethical objectives to cause stakeholder conflicts. Differences in the interest of stakeholder groups often leads to conflict.	False

The Body Shop

“Our story started in Brighton, English in 1976. Never afraid to stand out from the crowd and stand up for what’s right, we search the world for the finest ethically-sourced ingredients to create a range of naturally-inspired beauty products.

Today our dedication to business as a force for good is stronger than ever. As part of our *Enrich Not Exploit™* Commitment, we’ve made it our mission to enrich our products, our people, and our planet. That means working fairly with our farmers and suppliers and helping communities thrive through our Community Trade programme, being 100% vegetarian and always and forever being firmly against animal testing.

Together we can do it, it’s in our hands.”

Source: www.thebodyshop.com/en-gb/

(a) Define the term *corporate social responsibility*. [2 marks]

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(b) Explain **two** factors that can influence whether businesses like *The Body Shop* act in a socially responsible manner. [4 marks]

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(c) The table below shows different views towards the role of businesses in fulfilling their responsibility towards society. Complete the table by explaining your answers. [6 marks]

Different types of corporate social responsibilities	
Non-compliance attitude	
Altruistic attitude	
Strategic attitude	

Worksheet 23
1.3. Corporate Social Responsibility – The Body Shop

Answers

The Body Shop

“Our story started in Brighton, English in 1976. Never afraid to stand out from the crowd and stand up for what’s right, we search the world for the finest ethically-sourced ingredients to create a range of naturally-inspired beauty products.

Today our dedication to business as a force for good is stronger than ever. As part of our *Enrich Not Exploit™* Commitment, we’ve made it our mission to enrich our products, our people, and our planet. That means working fairly with our farmers and suppliers and helping communities thrive through our Community Trade programme, being 100% vegetarian and always and forever being firmly against animal testing.

Together we can do it, it’s in our hands.”

Source: www.thebodyshop.com/en-gb/

- (a) Define the term *corporate social responsibility*. [2 marks]

Corporate social responsibility (CSR) refers to an organization’s moral obligations to its different stakeholder groups, as well as society and the environment.

- (b) Explain **two** factors that can influence whether businesses like *The Body Shop* act in a socially responsible manner. [4 marks]

The following are possible factors why *The Body Shop* acts in a socially responsible manner:

- Whether the board of directors and other key stakeholders are supportive of CSR.
- The costs associated with being socially responsible, and the compliance costs of ethical business practices.
- The legal and political framework of the country in which the company operates, such as equal opportunities legislation and anti-discrimination laws.
- The corporate culture of the company, e.g., since 1976, *The Body Shop* has used “ethically-sourced ingredients to create a range of naturally-inspired beauty products.”
- The extent to which the news media are vocal about the negative impacts caused by the operations of companies in the industry.

- (c) The table below shows different views towards the role of businesses in fulfilling their responsibility towards society. Complete the table by explaining your answers. [6 marks]

Different types of corporate social responsibilities	
Non-compliance attitude	This line of thought believes that businesses should focus on making profit, so that corporate taxes collected by the government can be used for government spending on improving and protecting the society and environment.
Altruistic attitude	This line of thought believes that the businesses have a moral responsibility towards local communities, the society, and the environment. The view is that businesses should proactively donate and contribute to others, regardless of the financial position of the business.
Strategic attitude	This line of thought believes that businesses should adopt CSR practices if that strategically helps them to earn more profit, improves its corporate image, and/or enhances its brand value.

Worksheet 24

1.3 Corporate social responsibility (1)

The table below shows examples of CSR initiatives undertaken by some of the leading companies / brands in the world. Identify the correct company / brand with the CSR initiative from the clues given. Allow students to access the Internet to investigate the answers.

Bosch	Starbucks	Coca-Cola	Netflix	GE
Ben & Jerry's	Abercrombie & Fitch	Xerox	Ford	Pfizer

Corporate social responsibility (CSR) initiative	Company / Brand
This company formed a \$15 million partnership with SeriousFun Children's Network in 2016, to support community camps and programmes for children with serious illnesses.	
This company invests 50% of its research and development budget in technologies supporting conservation and environmental protection and remanufactures car components thereby generating 23,000 fewer metric tons of CO ₂ annually (compared to new production).	
In 1985, when this company went public, the board of directors donated 50,000 shares and the commitment that 7.5% of the company's pre-tax profits would be set aside for philanthropic work.	
This company hired 10,000 refugee workers across 75 countries to continue to support the human spirit.	
This company reduced the price of its Prevnar 13® vaccines (used for pneumonia, as well as ear and blood infections) in November 2016 for those in need and in situations such as refugees and emergency aid.	
In 2005, this company launched an initiative called Ecomagination, a strategy with a mission to being more resolute about clean technologies and generate \$20 billion in revenue from green products.	
In 2018, this company that sells print and digital products and was recognized for its ethical approach to business by receiving the recognition of the Ethisphere Institute for a 12th consecutive year.	
In order to counter its massive fleet of delivery trucks, which contributed 3.7 million metric tons of greenhouse gases to the world, this company made major changes to its supply chain practices including investing in new alternatively fueled trucks back in 2008.	
Since 2012, this multinational company has reduced its greenhouse gas emissions by using its EcoBoost motor engines to improve fuel efficiency.	
This online company offers 52 weeks of paid parental leave, which can be taken at any time that suits the needs of the parents.	

Worksheet 24

1.3 Corporate social responsibility (1)

Answers

The table below shows examples of CSR initiatives undertaken by some of the leading companies / brands in the world. Identify the correct company / brand with the CSR initiative from the clues given. Allow students to access the Internet to investigate the answers.

Bosch	Starbucks	Coca-Cola	Netflix	GE
Ben & Jerry's	Abercrombie & Fitch	Xerox	Ford	Pfizer

Corporate social responsibility (CSR) initiative	Company / Brand
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In 1985, when this company went public, the board of directors donated 50,000 shares and the commitment that 7.5% of the company's pre-tax profits would be set aside for philanthropic work.	Ben & Jerry's
This company hired 10,000 refugee workers across 75 countries to continue to support the human spirit.	Starbucks
This company reduced the price of its Prevnar 13® vaccines (used for pneumonia, as well as ear and blood infections) in November 2016 for those in need and in situations such as refugees and emergency aid.	Pfizer
In 2005, this company launched an initiative called Ecomagination, a strategy with a mission to being more resolute about clean technologies and generate \$20 billion in revenue from green products.	GE
In 2018, this company that sells print and digital products and was recognized for its ethical approach to business by receiving the recognition of the Ethisphere Institute for a 12th consecutive year.	Xerox
In order to counter its massive fleet of delivery trucks, which contributed 3.7 million metric tons of greenhouse gases to the world, this company made major changes to its supply chain practices including investing in new alternatively fueled trucks back in 2008.	Coca-Cola
Since 2012, this multinational company has reduced its greenhouse gas emissions by using its EcoBoost motor engines to improve fuel efficiency.	Ford
This online company offers 52 weeks of paid parental leave, which can be taken at any time that suits the needs of the parents.	Netflix

Laos Electronix (LE)

Laos Electronix (LE) is a market leader for the supply of high-end computers, laptops, and tablet computers in Laos. Recently, *LE* received the distribution rights for selling its products in Cambodia and decided to create franchise opportunities for local dealers that would trade using the franchise name *Cambodia Electronix (CE)*. The management of *LE* spent a lot of time to create the mission statement for the franchisee in Cambodia. The mission statement reads as:

“To be the leader in sales and distribution of high-end IT products and services where we operate.”

(a) Define the term *mission statement*. [2 marks]

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(b) Explain how *CE*'s commitment to achieving its mission statement could enable the franchisee to be successful in Cambodia. [4 marks]

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(c) Explain **two** advantages and **one** disadvantage for *LE* of the franchise arrangement with *CE*. [6 marks]

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Answers

Laos Electronix

Laos Electronix (LE) is a market leader for the supply of high-end computers, laptops, and tablet computers in Laos. Recently, *LE* received the distribution rights for selling its products in Cambodia and decided to create franchise opportunities for local dealers that would trade using the franchise name *Cambodia Electronix (CE)*. The management of *LE* spent a lot of time to create the mission statement for the franchisee in Cambodia. The mission statement reads as:

“To be the leader in sales and distribution of high-end IT products and services where we operate”

- (a) Define the term *mission statement*. [2 marks]

A mission statement sets out the purpose, values, and beliefs of an organization, thereby establishing the philosophy of the business in a simple and clear way to all stakeholders of the organization.

- (b) Explain how *CE*'s commitment to achieving its mission statement could enable the franchisee to be successful in Cambodia. [4 marks]

The mission statement displays the overall purpose of *Cambodia Electronix*, i.e., why it exists as an organization. It shows *CE*'s ambition to be the market leader in the countries that it operates. The mission statement enables different stakeholders of the company to focus on specific aspects of the organization's overall ambition.

CE's success can be attributed to its position as market leader in the development of franchises and distribution rights in Laos and Cambodia. Having a clear mission statement could also be helpful in the future recruitment of the company, helping to inspire the workforce to achieve the organization's goal of being the market leader in terms of sales and distribution.

- (c) Explain **two** advantages and **one** disadvantage for *LE* of the franchise arrangement with *CE*. [6 marks]

Possible answers are shown in the table below (for illustrative purposes).

Advantages	Disadvantages
Day to day management is the responsibility of the franchisee. Hence, <i>LE</i> as a distributor does not have to get involved with any operational aspects of the business in Cambodia.	Although using a franchise agreement would bring in more opportunities for <i>LE</i> to expand quickly, this also results in a loss of overall control for the company in overseas markets.
<i>LE</i> gets more funds from the investors in Cambodia enabling quicker expansion of the company. This makes it possible for <i>LE</i> to have greater brand presence and higher market share.	Should <i>CE</i> , as the overseas franchisee, not meet the standards set by <i>LE</i> , the company could get a bad reputation, potentially affecting the company brand and harming its sales revenue.
Different costs could be shared between <i>LE</i> (in Laos) and <i>CE</i> (the franchisee in Cambodia), thereby sharing and spreading risks.	There could be legal and cultural complications with setting up overseas franchises. Hence, it might be quicker and easier to establish a joint venture or even a strategic alliance.

Students are expected to explain any two advantages and one disadvantage for *LE*. The answers above are not meant to be definitive or exhaustive.

Worksheet 26
1.3 Corporate Social Responsibility (2)

Identify which of the following actions are examples of corporate social initiatives by indicating True or False for each of the actions listed.

Actions (of corporate social responsibility?)	True or False?
a) A company uses child labour in order to minimize production costs and to lower prices for the final consumer of the good or service.	
b) A retailer opts to avoid the sales of cosmetics and personal care products that have been tested on animals.	
c) A business places emphasis on volunteer work, encouraging employees to support local communities and charities.	
d) An advertising agency pays above-average salaries and provides positive working conditions to some of its employees who meet pre-determined sales targets.	
e) A business sponsors a commercial sporting competition, gaining exclusive marketing rights during the event.	
f) A business makes continual efforts to reduce its carbon footprint.	
g) A business implements policies to provide data privacy to safeguard its customers.	
h) A business attempts to reduce pollution by switching to a renewable and economic alternative to electricity.	
i) A business uses packaging made from 100% recycled materials.	
j) Giving substantial pay rises to directors, at the same time as making a few workers redundant, in an attempt to streamline the business.	
k) Using social media platforms to support social movements such as environmental protection and sustainability.	
l) Not sharing government grants with the local community to improve medical clinics and hospitals.	
m) Water boards providing safe and affordable water to the local community.	
n) A firm providing training opportunities to all its employees.	
o) A business improving its diversity, equity, and inclusion policies and practices in the workplace.	

Worksheet 26
1.3 Corporate Social Responsibility (2)

Answers

Actions (of corporate social responsibility?)	True or False?
a) A company uses child labour in order to minimize production costs and to lower prices for the final consumer of the good or service. Exploiting child labour is an example of unethical business behaviour.	False
b) A retailer opts to avoid the sales of cosmetics and personal care products that have been tested on animals.	True
c) A business places emphasis on volunteer work, encouraging employees to support local communities and charities.	True
d) An advertising agency pays above-average salaries and provides positive working conditions to some of its employees who meet pre-determined sales targets. This is an example of inequity at work and may not be viewed as ethical by employees who are unable to achieve sales targets despite trying hard to do so.	False
e) A business sponsors a commercial sporting competition, gaining exclusive marketing rights during the event. This is unfair for the rivals as it takes away the promotional opportunities from them, hence is unethical strategy due to its anti-competitive nature.	False
f) A business makes continual efforts to reduce its carbon footprint.	True
g) A business implements policies to provide data privacy to safeguard its customers.	True
h) A business attempts to reduce pollution by switching to a renewable and economic alternative to electricity.	True
i) A business uses packaging made from 100% recycled materials.	True
j) Giving substantial pay rises to directors, at the same time as making a few workers redundant, in an attempt to streamline the business. This is not in the best interest of employees, so is unethical behaviour.	False
k) Using social media platforms to support social movements such as environmental protection and sustainability.	True
l) Not sharing government grants with the local community to improve medical clinics and hospitals. The funds are supposed to be used in the interest of the local community, hence not sharing this is unethical.	False
m) Water boards providing safe and affordable water to the local community.	True
n) A firm providing training opportunities to all its employees.	True
o) A business improving its diversity, equity, and inclusion policies and practices in the workplace.	True

Worksheet 27
1.3 Business objectives (2)

1. Define the following terms: [8 marks]

a. Objectives

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b. Strategy

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c. Mission statement

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d. Vision statement

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2. The list below shows mission statements of some well-known companies in the world. Match each mission statement with the correct company below. Try to do this task without the Internet (but check your answers online or with your teacher). [10 marks]

Google	IKEA	LinkedIn	TED	Spotify
Coca-Cola	Microsoft	Oxfam	Uber	Tesla

Mission statement	Company
To unlock the potential of human creativity – by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.	
To refresh the world in mind, body, and spirit. To inspire moments of optimism and happiness through our brands and actions.	
Connect the world's professionals to make them more productive and successful.	
To reimagine the way the world moves for the better.	
To organize the world's information and make it universally accessible and useful.	
To foster the spread of great ideas.	
To empower every person and every organization on the planet to achieve more.	
To accelerate the world's transition to sustainable energy.	
To create a better everyday life for the many people.	
A just world without poverty.	

Worksheet 27
1.3 Business objectives (2)

Answers

1. Define the following terms: [4 marks]
 - a. Objectives
These are the goals or targets that a business organization aspires to achieve, such as growth, profit, protecting shareholder value, and ethical business objectives.
 - b. Strategy
Strategy refers to any plan of action to help achieve the goals of an organization.
 - c. Mission statement
A mission statement is a written declaration which encapsulates the core purpose of an organization to direct and motivate its employees and other stakeholders.
 - d. Vision statement
A vision statement is a brief declaration which outlines the long-term aspirations of a business organization.

2. The list below shows mission statements of some well-known companies in the world. Match each mission statement with the correct company below. Try to do this task without the Internet (but check your answers online or with your teacher). [10 marks]

Google	IKEA	LinkedIn	TED	Spotify
Coca-Cola	Microsoft	Oxfam	Uber	Tesla

Mission statement	Company
To unlock the potential of human creativity – by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by it.	Spotify
To refresh the world in mind, body, and spirit. To inspire moments of optimism and happiness through our brands and actions.	Coca-Cola
Connect the world's professionals to make them more productive and successful.	LinkedIn
To reimagine the way the world moves for the better.	Uber
To organize the world's information and make it universally accessible and useful.	Google
To foster the spread of great ideas.	TED
To empower every person and every organization on the planet to achieve more.	Microsoft
To accelerate the world's transition to sustainable energy.	Tesla
To create a better everyday life for the many people.	IKEA
A just world without poverty.	Oxfam

Sarah and Hreshan (S&H)

Sarah and Hreshan (S&H) is a privately held company, supplying traditional Indian clothing. The business has survived its first two years of operation and now seeking expansion plans. S&H consistently strive to innovate their designs and clothes to cater to customers of Indian fashion.

S&H aims to delight its customers. It uses state of the art machinery and hires skilled professionals. This strategy has allowed the firm to establish itself in the industry. Their products are known for their varied designs, quality fabrics, and affordable clothing.

Sarah is concerned about the natural environment and wants S&H to have more of a presence with its corporate social responsibility. She wants to use sustainable fabrics and enhance the working conditions for the employees. Hreshan is concerned about the cost of implementing these changes.

(a) Outline **two** business objectives that Sarah and Hreshan (S&H) is likely to have. *[4 marks]*

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(b) Suggest a mission statement for S&H. *[1 mark]*

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(c) Explain the role of mission statements for S&H. *[4 marks]*

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(d) Examine whether S&H should pursue corporate social responsibility (CSR) objectives. *[6 marks]*

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Answers

Sarah and Hreshan (S&H)

Sarah and Hreshan (S&H) is a privately held company, supplying traditional Indian clothing. The business has survived its first two years of operation and now seeking expansion plans. S&H consistently strive to innovate their designs and clothes to cater to customers of Indian fashion.

S&H aims to delight its customers. It uses state of the art machinery and hires skilled professionals. This strategy has allowed the firm to establish itself in the industry. Their products are known for their varied designs, quality fabrics, and affordable clothing.

Sarah is concerned about the natural environment and wants S&H to have more of a presence with its corporate social responsibility. She wants to use sustainable fabrics and enhance the working conditions for the employees. Hreshan is concerned about the cost of implementing these changes.

(a) Outline **two** business objectives that Sarah and Hreshan (S&H) is likely to have. [4 marks]

- Profit maximization – Profits are required for the firm's survival and expansion. Profit is the reward for risk taking and indicates the degree of business success. Shareholders will want a return on their investments in the company.
- Higher market share – To increase sales and to account for a larger proportion of the sales in the market for traditional Indian clothing.
- Ethical objectives – Sarah wants the company to be more ethical in its approach towards the environment and employees. This can help to improve the company's corporate image and improve its competitiveness in the long term.
- *Accept any other relevant business objective, outlined in the context of the case study.*

(b) Suggest a mission statement for S&H. [1 mark]

To design the most innovative and sustainable fashion clothing for our customers.

(c) Explain the role of mission statements for S&H. [4 marks]

- To outline the organization's culture and corporate values.
- To direct stakeholders about the underlying purpose of the company and the philosophy to focus their actions on.
- To direct managers and employees for action and to accomplish organizational goals.
- Communicating with customers the reason for the company's existence.

(d) Examine whether S&H should pursue corporate social responsibility (CSR) objectives. [6 marks]

Arguments for pursuing CSR objectives include:

- Making decisions based on moral values would improve the brand image of S&H.
- It could attract potential employees and increase the level of motivation of existing employees, e.g., improved working conditions would make employees feel more secure and valued.
- Sourcing sustainable fabrics could attract more customers, which would increase the sales for S&H.
- The ethical approach could provide a competitive advantage to Sarah and Hreshan, which would increase brand loyalty.

Arguments against pursuing CSR objectives include:

- It could negatively impact the company's profits (at least in the short run) due to the higher costs of ethical sourcing and providing better facilities to employees.
- It is a privately held company, accountable to its shareholders. Profit is the main priority rather than concerns for the environment.
- The higher costs could mean S&H has to increase its prices, which may discourage customers to purchase their clothing items.
- CSR is a continuous process and cannot be implemented as a one-time exercise. It may not be sustainable for S&H to continue with this objective in the long run.
- Possible conflicts between the shareholders about the extent of support for CSR objectives.

Answers

Investing in socially responsible firms

Socially responsible investors are growing in number. These investors believe there is more to running a business than trying to maximize every dollar of profit or increasing the pay and remuneration of executives. Instead, they believe management teams should carry out their roles in a socially responsible way. Socially responsible behaviour means encouraging businesses to operate ethically.

Socially responsible investment does not necessarily mean selling shares in offending companies or refusing to invest in them in the first place. The idea is that shareholders have far more influence if they keep their shares in these firms and use the influence that comes with being a shareholder by voting at annual general meetings and forcing policy changes.

The pay of those who manage or fund socially responsible investments tends to be lower than that for managers of funds in organizations without such investment restrictions. However, in many cases, the dividends from socially responsible investments match or exceed industry averages.

- (a) Explain **two** disadvantages for businesses that invest in a socially responsible manner. [4 marks]

The possible disadvantages may include:

- Lower salaries and remuneration packages for fund managers.
- Greater selectivity in choosing the companies to invest in, as this could require picking socially responsible firms that earn lower levels of profit and, consequently, lower dividends for the owners.
- The compliance costs of acting in ethical and socially responsible ways, including investment decisions.
- Administrative and bureaucratic limitations and costs due to limited sources of funds and the lack of profit-seeking investors who may not come forward (i.e. a lack of interest in such investments).

- (b) Examine the effects of possible conflicts between a socially responsible business and any **two** of its stakeholders. [6 marks]

The conflicts may be substantial if stakeholders perceive a change in policy as damaging to a company's profits and dividends. However, if a positive effect on sales and competitiveness is evident, any conflicts may be easier to manage.

The possible stakeholders could include:

1. Shareholders – the owners are interested in higher levels of profit and higher dividends.

Effects: dissatisfied shareholders may sell their shares, which could lead to a fall in the price of shares and greater vulnerability to a takeover bid. This group of investors may be in direct conflict with socially responsible investors who do not put profit first. Shareholders may also be in conflict with the directors of the company regarding the amount of dividend payments.

2. Directors / Managers – these stakeholders are interested in long-term goals such as higher market share, growth, and profit. They are likely to also be interested in better terms and conditions of employment, such as their salaries, bonuses, and perks (fringe benefits).

Effects: Directors / senior managers may be in conflict with other stakeholder groups such as employees or pressure groups regarding policies, costs, efficiencies, productivity, level of dividends, salaries, and codes of practice. Directors are duty-bound to represent the interest of the owners (shareholders) of the business, and have huge influence in the behaviour / performance of the organization. This is likely to directly affect the operations of the company, either in a positive or negative way.

3. Pressure groups – these external stakeholders are interested in issues such as protecting the environment and the welfare of local communities. Their influence can modify the behaviour of businesses in a socially desirable manner.

Effects: any direct conflict with pressure groups can create a bad corporate reputation for the business, which can lead to a fall in sales revenues. In extreme cases, it may even lead to legal turmoil for the organization.

Falling car sales in India

Maruti Suzuki India Ltd. is a leading automobile manufacturer in India. The company accounts for more than half of all cars sold in India. In 2019, *Maruti Suzuki* decided to suspend car manufacturing operations in two plants for a few days in order to combat the slowing car sales in India. The company did not renew the contract of 3,500 temporary workers at the Aliyar and Kasan plants. Amidst the slowing Indian economy and 10 consecutive months of negative sales figures, many other car manufacturers, car dealerships, and component manufacturers that supply components to the large car makers have been cutting jobs. Even before the COVID-19 coronavirus pandemic, over 350,000 jobs in the industry were lost in 2019 alone. There is mounting tension from pressure groups for firms to find ways to protect workers against unethical redundancies.

Explain how these events may impact the interests of the following stakeholders, either in direct or indirect ways:

(a) Shareholders of *Maruti Suzuki India Ltd.* [2 marks]

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(b) The government of India. [2 marks]

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(c) Villagers of Aliyar and Kasan. [2 marks]

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(d) Suppliers of auto components. [2 marks]

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(e) Pressure groups. [2 marks]

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(f) Commercial banks in India. [2 marks]

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Answers

Falling car sales in India

Maruti Suzuki India Ltd. is a leading automobile manufacturer in India. The company accounts for more than half of all cars sold in India. In 2019, *Maruti Suzuki* decided to suspend car manufacturing operations in two plants for a few days in order to combat the slowing car sales in India. The company did not renew the contract of 3,500 temporary workers at the Aliyar and Kasan plants. Amidst the slowing Indian economy and 10 consecutive months of negative sales figures, many other car manufacturers, car dealerships, and component manufacturers that supply components to the large car makers have been cutting jobs. Even before the COVID-19 coronavirus pandemic, over 350,000 jobs in the industry were lost in 2019 alone. There is mounting tension from pressure groups for firms to find ways to protect workers against unethical redundancies.

Explain how these events may impact the interests of the following stakeholders, either in direct or indirect ways:

- (a) Shareholders of *Maruti Suzuki India Ltd.* [2 marks]

Shareholders of *Maruti Suzuki* will be cautious of falling stock (share) prices of the company as a result of falling car sales in India, which could affect their capital gain. They would also be wary of not receiving the desired level of dividends (due to 10 consecutive months of falling sales) and due to the aftershock of the coronavirus pandemic.

- (b) The government of India. [2 marks]

The government of India would be concerned about the weak growth figures for the economy and potentially receiving less corporate tax revenues as a result of the slowing economy. Also, the loss of jobs in the car manufacturing and related industries could potentially bring more internal protests against the government.

- (c) Villagers Aliyar and Kasan. [2 marks]

People in these local communities could face the most imminent impacts of the factory closures. Job losses would mean lower incomes for many households, and lower standards of living. These workers would need to look for alternative jobs, including the possibility of having to move to another city to look for work, or retraining to work in other industries such as agricultural or industrial work.

- (d) Suppliers of auto components. [2 marks]

The auto component suppliers would lose the contract in the medium and long run. Loss of contracts will contribute to further job losses.

- (e) Pressure groups. [2 marks]

Pressure groups are likely to gain support from different spheres of society, including trade unions, the local community, lawyers, and academics. There could be more incidents of protests against large companies such as *Maruti Suzuki* making mass redundancies and against the government in order to protect jobs and livelihoods. Government intervention may be needed to help generate employment, especially given the major economic damage caused by the outbreak of the coronavirus pandemic.

- (f) Commercial banks in India. [2 marks]

Commercial banks in India may be more cautious about lending money to companies as a result of business closures in India. Demand for credit and medium- to long-term loans may also gradually decrease as a result of the Indian economy slowing down. Hence, the profitability of commercial banks in India is likely to fall during this time period.

Worksheet 31
1.4 Stakeholders' objectives

The list below shows examples of some of the important objectives of different stakeholders. Use the correct stakeholder groups from the box to match their objectives given in the table:

Customers	Shareholders	Employees	Managers
Suppliers	Governments	Banks	Competitors
			Pressure groups

Interests (objectives)	Stakeholder group
To have a good relationship with these businesses in order to receive timely deliveries and better credit terms.	
To have goods or services readily available at a cheaper price.	
To make businesses accountable for the impact of their activities on the local environment.	
To maximize dividend payments.	
To receive better quality goods and services.	
To achieve an increase in the share value (capital gain).	
To maximize annual bonuses and other financial benefits.	
To have better terms and conditions of employment.	
To make sure loans are paid on time, including interest charges.	
To benchmark performance against other businesses in the industry, such as sales turnover, profit, and other key financial indicators.	
To influence the decisions and actions of businesses directly, by putting pressure on them to behave in socially responsible ways.	
To have better career prospects.	
To have improved job security.	
To make sure that health and safety standards are met by all business organizations.	
To influence government policy for a change in legislation.	
To make sure that the correct amount of corporate tax is paid.	

Worksheet 31

1.4 Stakeholders' objectives

Answers

The list below shows examples of some of the important objectives of different stakeholders. Use the correct stakeholder groups from the box to match their objectives given in the table:

Customers	Shareholders	Employees	Managers
Suppliers	Governments	Banks	Competitors
		Competitors	Pressure groups

Interests (objectives)	Stakeholder group
To have a good relationship with these businesses in order to receive timely deliveries and better credit terms.	Suppliers
To have goods or services readily available at a cheaper price.	Customers
To make businesses accountable for the impact of their activities on the local environment.	Pressure groups
To maximize dividend payments.	Shareholders
To receive better quality goods and services.	Customers
To achieve an increase in the share value (capital gain).	Shareholders
To maximize annual bonuses and other financial benefits.	Managers
To have better terms and conditions of employment.	Employees
To make sure loans are paid on time, including interest charges.	Banks
To benchmark performance against other businesses in the industry, such as sales turnover, profit, and other key financial indicators.	Competitors
To influence the decisions and actions of businesses directly, by putting pressure on them to behave in socially responsible ways.	Pressure groups
To have better career prospects.	Employees
To have improved job security.	Employees
To make sure that health and safety standards are met by all business organizations.	Government
To influence government policy for a change in legislation.	Pressure groups
To make sure that the correct amount of corporate tax is paid.	Government

Tesla job cuts

In 2022, *Tesla* announced that as a consequence of closing its facility in San Mateo, California, the company would need to make 229 employees redundant out of a workforce of 276 people. The move was part of an extensive cost-cutting exercise. The majority of these employees are part of the electric vehicle company's *Autopilot* driver-assistance system. The company announced that employees who are not laid off were to be relocated to *Tesla*'s Buffalo Autopilot gigafactory.

The job cuts are in line with attempts by *Tesla* to reduce its global workforce by 10%, as announced by CEO Elon Musk in June 2022. The company's executives were concerned with the worsening economic outlook for the e-vehicle manufacturer. The **redundancies** would reduce the compensation paid to salaried staff by around 10% in order to resolve *Tesla*'s overstaffing issues. Lockdowns in China during the COVID-19 period lead to forcing temporary closures of *Tesla*'s most productive plant, in Shanghai. People were asked to stay at home and the closure meant there were no sales. Sales from China fell by a record 98% from March to April 2021.

Source: adapted from [BBC News](#)

(a) Define the term *redundancies*. [2 marks]

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(b) Identify **two** internal stakeholders of *Tesla*. [2 marks]

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(c) Identify **two** external stakeholders of *Tesla*. [2 marks]

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(d) Explain **two** likely outcomes of the conflicts arising from *Tesla*'s decision to reduce its workforce. [4 marks]

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Answers

Tesla job cuts

In 2022, *Tesla* announced that as a consequence of closing its facility in San Mateo, California, the company would need to make 229 employees redundant out of a workforce of 276 people. The move was part of an extensive cost-cutting exercise. The majority of these employees are part of the electric vehicle company's *Autopilot* driver-assistance system. The company announced that employees who are not laid off were to be relocated to *Tesla*'s Buffalo Autopilot gigafactory.

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Source: adapted from [BBC News](#)

(a) Define the term *redundancies*. [2 marks]

This refers to the termination of employees due to restructuring or cost-cutting reasons, thereby reducing the size of the workforce to streamline operations and improve operational efficiency.

(b) Identify **two** internal stakeholders of *Tesla*. [2 marks]

- Shareholders of Tesla
- The CEO, Elon Musk
- Executives (directors)
- Managers
- Employees.

(c) Identify **two** external stakeholders of *Tesla*. [2 marks]

- Customers
- Governments
- Local community (comprising of local residents in San Mateo, California, local organizations, and special interest groups)
- Suppliers (of component parts).

(d) Explain **two** likely outcomes of the conflicts arising from *Tesla*'s decision to reduce its workforce. [4 marks]

- The 229 employees who lose their jobs will seek compensation (severance pay)
- Further job insecurity amongst *Tesla*'s overall workforce (those who continue having an employment contract with *Tesla*).
- The employees who are to be transferred to *Tesla*'s Buffalo Autopilot location will face the fear of the unknown and would have to learn new skills and face a new and uncertain work environment.
- Shareholders may experience a fall in their return, at least initially, due to the disruptions. Furthermore, falling sales from the closure and the COVID-19 pandemic would create additional issues for *Tesla*.
- There will be lower demand for component parts from *Tesla*'s suppliers and other related businesses due to lower sales at *Tesla*.

Worksheet 33
1.4 Stakeholders

Explain the impact of the business decisions mentioned below on any **two** stakeholder groups.

Business decision	Impact on stakeholders
Increased concern for waste disposal, charitable donations, and participation in community events	
Introduction of new machinery to improve product quality	
Taking over a competitor at the same stage of production (horizontal integration)	
Merging with another business in the same industry at a later stage of production (forward vertical integration)	

Answers

Explain the impact of the business decisions mentioned below on any **two** stakeholder groups.

Business decision	Impact on stakeholders
Increased concern for waste disposal, charitable donations, and participation in community events	<ul style="list-style-type: none"> • Members of the local community benefits due to positive contributions made by the business. • Consumers would appreciate the altruistic actions and are therefore more likely to purchase from the business. • Employees' higher-order needs could be satisfied due to working for a business that is concerned for the wider community. • Shareholders may experience a decline in return on their investment in the short run due to the associated costs of this business decision. • The government is likely to support the business with such decisions.
Introduction of new machinery to improve product quality	<ul style="list-style-type: none"> • Customers are more likely to be satisfied due to better quality and consistent product offerings. The production process will be more efficient and flexible to meet their needs. However technological failure may delay output or increase the downtime. • Employees will have to be trained to operate new machinery and learn new skills. However, some workers might be made redundant. • Shareholders may see an initial decline in their returns due to increased capital expenditure. If the improved product quality leads to more profits, shareholders will gain in the long run.
Taking over a competitor at the same stage of production (horizontal integration)	<ul style="list-style-type: none"> • Shareholders will lose out initially due to the increased expenditure for the acquisition. However, in the long run, the market share of businesses would rise, competition would fall, and the larger business would benefit from economies of scale, all leading to higher profits. • Employees would be now part of a larger firm so there may be more opportunities for training and promotion. However, some people may lose their jobs due to restructuring or cost savings being made. • Customers could benefit from the larger firm's economies of scale if it transfers the cost savings in form of reduced prices. However, as there is less competition in the market, customers may have less choice. • The government may gain from increased profits of the larger firm in the form of increased tax revenues.
Merging with another business in the same industry at a later stage of production (forward vertical integration)	<ul style="list-style-type: none"> • Owners (shareholders) would gain from having an assured outlet for products manufactured by the business, hence gain from increased probability. • Managers and directors gain from having greater control over the distribution of their products and being closer to the end user. • Competitors would be negatively impacted as the merger would mean the larger business is able to reduce its costs of distribution, increasing its competitiveness, and diminishing the strength of its rivals.

Worksheet 34
1.4 Stakeholders – Multiple Choice Questions

Identify the correct option for each multiple choice question below.

1. Which of the following groups is not an internal stakeholder of an organization?
 - A. Directors
 - B. Managers
 - C. Shareholders
 - D. Suppliers
2. Which of the following stakeholder groups is concerned about job security, promotional opportunities, and working conditions?
 - A. Directors
 - B. Employees
 - C. Shareholders
 - D. Suppliers
3. Which of the following tools is used to resolve stakeholder conflict?
 - A. Gantt charts
 - B. Stakeholder mapping
 - C. STEEPLE analysis
 - D. SWOT analysis
4. Which of the following stakeholder groups is concerned with maximizing dividends and achieving capital gain?
 - A. Directors
 - B. Employees
 - C. Shareholders
 - D. Suppliers
5. Which group of stakeholders has an interest in the activities of a business and is directly impacted by its operations?
 - A. Creditors
 - B. Shareholders
 - C. Stakeholders
 - D. Suppliers
6. Which stakeholder group represents the executives elected by shareholders to oversee business operations on behalf of the owners?
 - A. Directors
 - B. Employees
 - C. Pressure groups
 - D. Suppliers
7. Which of the following groups is not an external stakeholder for an organization?
 - A. Customers
 - B. Pressure groups
 - C. Shareholders
 - D. Suppliers
8. Which stakeholder group is concerned with a common interest and then places a demand on businesses to act in a particular way that meets their objectives?
 - A. Local community
 - B. Managers
 - C. Pressure groups
 - D. Suppliers
9. Which stakeholder group be interested in business performance benchmarks?
 - A. Competitors
 - B. Customers
 - C. Local community
 - D. Suppliers
10. Which stakeholder group is most likely to influence government policies to meet their cause or objectives?
 - A. Local communities
 - B. Managers
 - C. Pressure groups
 - D. Suppliers
11. Which stakeholder group provides businesses with stocks, raw materials, and commercial services?
 - A. Creditors
 - B. Local community
 - C. Pressure groups
 - D. Suppliers
12. Which stakeholder group owns a part of a limited liability company and will be most interested in the financial performance of the business?
 - A. Competitor
 - B. Employees
 - C. Shareholders
 - D. Suppliers

Worksheet 34
1.4 Stakeholders – Multiple Choice Questions

Answers

Identify the correct option for each multiple choice question below.

1. Which of the following groups is not an internal stakeholder of an organization?
 - A. Directors
 - B. Managers
 - C. Shareholders
 - D. Suppliers**
2. Which of the following stakeholder groups is concerned about job security, promotional opportunities, and working conditions?
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 - C. Shareholders**
 - D. Suppliers

Small and large businesses

Businesses have different scales of operations. The **market size** differs in different industries which influences the scale of operations. Some businesses operate on a small scale in a single industry while others are large scale that spread across many industries around the world.

There are various reasons for businesses to grow. Many small-scale manufacturers, family-run businesses, restaurants, and home-based businesses deliberately choose to stay small. Large-scale businesses such as Apple, Walmart, Tesco, KFC, and Samsung strive for continued expansion.

(a) Students of pirateIB, define the term *market size*. [2 marks]

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(b) Identify **two** ways in which the size of a business can be measured. [2 marks]

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(c) Explain **two** reasons why businesses seek to grow. [4 marks]

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(d) Explain why small-scale businesses survive despite the existence of large-scale businesses. [4 marks]

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Answers

Small and large businesses

Businesses have different scales of operations. The **market size** differs in different industries which influences the scale of operations. Some businesses operate on a small scale in a single industry while others are large scale that spread across many industries around the world.

There are various reasons for businesses to grow. Many small-scale manufacturers, family-run businesses, restaurants, and home-based businesses deliberately choose to stay small. Large-scale businesses such as Apple, Walmart, Tesco, KFC, and Samsung strive for continued expansion.

(a) Define the term *market size*. [2 marks]

Market size is the total number of potential customers or the total value of sales that can be generated in a particular market.

(b) Identify **two** ways in which the size of a business can be measured. [2 marks]

- Market share (%)
- Total sales revenue (\$)
- The total size of the workforce
- Capital employed
- Profits

(c) Explain **two** reasons why businesses seek to grow. [4 marks]

- To benefit from economies of scale. As the business expands on a larger scale, it reduces the average cost of production, thereby giving the firm a competitive advantage.
- To diversify risks as it expands in new markets and/or adds more products to its portfolio.
- To increase market share and market power. This would further allow the business to profit from higher sales and the ability to charge higher prices.
- To strengthen the brand name and consumer loyalty. Large businesses operate in many segments, markets, and product categories. This attracts new customers and provides existing customers with greater product choices.

(d) Explain why small-scale businesses survive despite the existence of large-scale businesses.

Small-scale businesses can benefit from various advantages over larger businesses, such as:

- Small firms are more flexible and responsive to rapidly changing customer needs. They can therefore satisfy consumer needs better than large businesses that follow bureaucratic process and policies, especially those that are inflexible to change.
- Remaining small means that they are usually able to keep costs under control. Larger multinational companies often experience diseconomies of scale due to poor communication, cost control, and coordination issues.
- Small firms often get government support in the form of subsidies, grants, and tax concessions.

Worksheet 36
1.5 Growth and evolution – Multiple-Choice Questions

Identify the correct option for each multiple choice question below.

1. Which of the following is not an internal growth strategy used by businesses?
 - A. Franchising
 - B. Hiring more employees
 - C. Opening new branches
 - D. Producing better quality products
2. Which of the following is not an example of internal economies of scale?
 - A. Specialization and division of labour
 - B. Borrowing at a reduced interest rate
 - C. Improved transportation networks
 - D. Buying in bulk
3. Which of the following is not an example of horizontal integration?
 - A. Disney's acquisition of Pixar
 - B. Facebook acquiring Instagram
 - C. Nike's acquisition of Umbro
 - D. Tata Motors acquiring Jaguar
4. Benefits arising to large-scale businesses due to factors beyond the control of the business are known as ...
 - A. External diseconomies of scale
 - B. External economies of scale
 - C. Internal diseconomies of scale
 - D. Internal economies of scale
5. Which of the following is not a reason for internal diseconomies of scale?
 - A. Increased bureaucracy
 - B. Lack of coordination and control
 - C. Poorer working relationship
 - D. Traffic congestion in local area
6. Which of the following is a valid disadvantage of being a large-scale business?
 - A. Brand recognition
 - B. Lower prices
 - C. More choices for customers
 - D. Poor flexibility
7. The fall in average costs as a business operates on a larger scale is known as ...
 - A. Cost per unit
 - B. Diseconomies of scale
 - C. Economies of scale
 - D. Growth and evolution
8. The ability of larger firms to hire specialist managers is known as ...
 - A. Financial economies of scale
 - B. Managerial economies of scale
 - C. Marketing economies of scale
 - D. Purchasing economies of scale
9. An amalgamation of firms operating in the same industry is known as ...
 - A. Conglomerates
 - B. Horizontal integration
 - C. Mergers and acquisitions
 - D. Vertical integration
10. Which method of external growth involves acquiring a controlling interest in another business?
 - A. Franchising
 - B. Merger
 - C. Strategic alliance
 - D. Takeover
11. The amalgamation of firms that operates in totally diversified markets is called ...
 - A. Backward vertical integration
 - B. Conglomerate mergers and takeovers
 - C. Forward vertical integration
 - D. Lateral integration
12. Which growth strategy involves buying a license to trade using another business's logo, brand name, or business model?
 - A. Franchising
 - B. Joint ventures
 - C. Mergers
 - D. Takeovers

Worksheet 36
1.5 Growth and evolution – Multiple-Choice Questions

Answers

Identify the correct option for each multiple choice question below.

1. Which of the following is not an internal growth strategy used by businesses?
A. Franchising
B. Hiring more employees
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B. Joint ventures
C. Mergers
D. Takeovers

Worksheet 37
1.6. Diseconomies of scale

(a) Define the term *internal diseconomies of scale*.

[2 marks]

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(b) Outline how the following causes of *internal diseconomies of scale* may threaten a business with an increase in average costs. [4 marks]

Lack of control and coordination	
Communication issues	
Bureaucratic problems	
Not meeting the needs of end-users	

(c) Outline how the following causes of *external diseconomies of scale* may threaten a business with an increase in average costs. [4 marks]

Pollution costs	
High rental costs	
High labour costs	
Overcrowding	

Worksheet 37
1.6. Diseconomies of scale

Answers

- (a) Define the term *internal diseconomies of scale*. [2 marks]

Internal diseconomies of scale are factors that are within the control of a firm that result in higher average costs of production following an increase in its level of output (production).

- (b) Outline how the following causes of *internal diseconomies of scale* may threaten a business with an increase in average costs. [4 marks]

Lack of control and coordination	A larger span of control would make a business more susceptible to the lack of control and coordination of its operations, resulting in internal diseconomies of scale due to a loss in productivity.
Communication issues	In a large business, it often becomes difficult to communicate and coordinate effectively within diverse teams. This results in an internal diseconomy of scale due to miscommunications, thereby causing a loss in productivity.
Bureaucratic problems	Due to the sheer volume of the procedures and processes of operating as a large organization, the decision-making process becomes slow, making a firm less competitive and resulting in an internal diseconomy of scale.
Not meeting the needs of end-users	Due to a continual increase in the size of the workforce, employees tend to work within clusters, making them feel disengaged or distanced from the overall operations of providing a good or service to customers. This may reduce overall productivity, resulting in an increase in the firm's average cost of production.

- (c) Outline how the following causes of *external diseconomies of scale* may threaten a business with an increase in average costs. [4 marks]

Pollution costs	An increase in pollution, due to the high concentration of businesses in a particular location, may pose health threats to employees. This would raise the costs of the firm's operations, such as higher medical insurance cover for employees and/or more staff absences due to illnesses caused by air quality problems.
High rental costs	Many businesses located in the same area / region is likely to drive up average rental values (for commercial land and properties). This will therefore increase operational costs for all businesses in such locations.
High labour costs	Due to many competing businesses located in the same area, there is likely to be higher demand for skilled labour, which is likely to raise labour costs in the area. Again, this increases the average costs of production for all firms in such locations.
Overcrowding	Overcrowding and congestion due to the concentration of businesses in a particular location often causes traffic congestion and delays to deliveries, thereby pushing up the average costs of operations for all businesses in the area.

Answers

Al Sahba

Al Sahba (AS) is a Saudi Arabian agricultural engineering company that makes innovative equipment for farmers. The company's production processes and tools are highly advanced. AS exports the majority of its highly sophisticated equipment to the Middle East, Europe, and Africa. These products enable large-scale production to be done by machines. The introduction of new technology has resulted in most work being done by machines so has cut the number of low-cost workers needed. Combined with a recession in Europe, this has led to a significant number of redundancies. AS has acquired several ailing agricultural companies as part of its growth strategy. However, sales taxes have increased recently in several markets that AS serves and some stakeholders have expressed concerns about human rights issues in the region.

- (a) Define the term *economies of scale*. [2 marks]

Economies of scale are the reduction in average costs of production as the size of production increases for a particular organization.

- (b) Using appropriate examples, explain how AS could benefit from economies of scale. [4 marks]

As the size of AS grows, the company could benefit from economies of scale in terms of:

- Labour (better use of specialized labour).
- Capital equipment (specialist equipment).
- Bulk buying - purchasing economies of scale will result due to discounts for bulk purchases of raw materials and component parts.
- Financial economies of scale from having access to lower cost of finance as a larger and more reputable company.
- Marketing economies of scale as AS can advertise at a relatively low cost in relation to the volume of sales.

- (c) Using a STEEPLE analysis framework, explain the possible external factors that might affect the operations of AS. [6 marks]

Legal and political

- Human rights issues/concerns could be a threat to businesses such as AS.
- Legislation of wages and working conditions in Saudi Arabia might also be a threat.
- Sales taxes are likely to raise the price of AS's innovative equipment for farmers, so this could reduce demand.

Social

- Interest in adapting non-traditional agricultural machinery could provide commercial opportunities.
- Similarly, customers being more open to innovative approaches also presents opportunities for AS.

Economic

- The state of the economy in Saudi Arabia could present both opportunities and threats; more information is needed in the case study, but students could provide/explain relevant situations.
- The recession in Europe is a threat due to the globalized nature of businesses and markets.
- Cheap (low-cost) labour is available in Saudi Arabia, so continues to be an economic opportunity although AS has chosen to use more technology in its production processes.
- The sales taxes could be a threat to the economy and businesses such as AS, depending on how sensitive customers are to price changes in their agricultural engineering products and tools.

Technological

- The availability of sophisticated production processes can be an opportunity for AS to raise its productivity.
- The globalization of markets could also be an opportunity as new technologies are introduced.
- Economies of scale by acquiring ailing agricultural companies, enabling AS to grow quicker.

Students need to identify and explain 3 different parts of the STEEPLE framework to be awarded full marks.

Worksheet 39
1.6 Mergers and acquisitions

The list below shows some notable mergers and acquisitions (M&A). Use the Internet to match the two companies involved in the respective M&A deals.

Year	Company 1		Company 2
2018	AT&T Inc.		DuPont
2015	Heinz		Time Warner
2015	Dow Chemical		LinkedIn
2000	AOL Inc.		Beats by Dre
2016	Microsoft		Time Warner
2014	Apple		Nokia
2014	Microsoft		Kraft food
2014	Facebook		Jaguar Land Rover Automotive
2008	Tata Motors Ltd.		WhatsApp
1994	Quaker Oats		Quaker Oats
2001	PepsiCo		Snapple

Yum! Brands Inc.

Yum! Brands Inc., headquartered in Louisville, Kentucky USA, was created as a result of a demerger from PepsiCo in 1997. With KFC, Pizza Hut, and Taco Bell in its portfolio, *Yum! Brands Inc.* has over 53,400 stores. In March 2002, *Yum! Brands Inc.* acquired *Yorkshire Global Restaurants (YGR)*, a restaurant chain founded in Lexington, Kentucky. In 2016, *Yum! China Holdings Inc.*, headquartered in Shanghai, was split from *Yum! Brand Inc.* In China, *Yum! China Holdings Inc.* is one of the largest restaurant chains, with restaurants in over 12,100 locations and a workforce of over 450,000 employees.

(a) Define the term *de-merger*. [2 marks]

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(b) Explain **two** ways the demerger could have benefited *PepsiCo*. [4 marks]

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(c) Explain **two** ways the acquisition of *YGR* could have benefited *Yum! Brands Inc.* [4 marks]

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Worksheet 39
1.6 Mergers and acquisitions

Answers

The list below shows some notable mergers and acquisitions (M&A). Use the Internet to match the two companies involved in the respective M&A deals.

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2014	Microsoft		Kraft food
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(a) Define the term *de-merger*. [2 marks]

A demerger is the process of transferring or splitting an organization's assets (such as its brands or business units). This helps to raise finance by selling off components of the business that are no longer part of its core operations.

(b) Explain **two** ways the demerger could have benefited *PepsiCo*. [4 marks]

PepsiCo could have benefitted by being able to focus more on its core competencies / core business functions. Also, with the demerger from *Yum! Brands Inc.*, *PepsiCo* split off management responsibility, making it unaffected from any possible poor financial performance or crises faced by *Yum! Brands Inc.*

(c) Explain **two** ways the acquisition of *YGR* could have benefited *Yum! Brands Inc.* [4 marks]

By acquiring *Yorkshire Global Restaurants*, *Yum Brand Inc.* eliminated a strong competitor. With this acquisition, *Yum! Brands Inc.* would increase its market share and would possibly be able to influence its suppliers for better prices and credit terms. *Yum! Brands Inc.* would also be more likely to benefit from greater economies of scale by being a larger company.

Worksheet 40
1.5 Strategic alliances

(a) Define the term *strategic alliance*.

[2 marks]

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(b) The table below shows some major strategic alliances. Match the correct companies that formed a strategic alliance from those listed in the box below. You can use the Internet for research. [11 marks]

Tesco	Apple	HP	Barnes & Noble	Spotify	Adidas
Nike	Pinterest	Louis Vuitton	American Express	GoPro	

Levi Strauss & Co., the iconic jeans company, joined forces with this social media platform where users pin posts that they like to their user profiles.	
Apple started this co-branding partnership as a way to bring music from Apple to fitness enthusiasts of this reputed global brand.	
Uber started to work with this company to give its riders a superior travelling experience.	
Starbucks partnered with this retailer to leverage the location of their bookstores.	
BMW partnered with this iconic fashion brand for the luxurious BMW i8 e-vehicle model.	
Red Bull collaborated with this company to capture the many moments of their extreme sporting events and projects.	
Kanye West, the Grammy-winning rap star, partnered with this company to develop a high-end footwear line called Yeezy.	
Amazon collaborated with this finance company to gather data / insights about buyers' purchasing activities.	
MasterCard became the first credit card company to allow its users to store their credit and debit cards on the payment system of this US company.	
Disney partnered with this tech company to design different productions, including a new Walt Disney World ride that the two companies jointly developed.	
French retailer Carrefour collaborates with this British retail giant in order to cut costs of production.	

Worksheet 40
1.5 Strategic alliances

Answers

(a) Define the term *strategic alliance*. [2 marks]

A strategic alliance is a form of external growth that involves an agreement between two or more companies to participate in a mutually beneficial project, while keeping both legal entities intact, i.e., they do not amalgamate to form a new legal entity.

(b) The table below shows some major strategic alliances. Match the correct companies that formed a strategic alliance from those listed in the box below. You can use the Internet for research. [11 marks]

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Nike	Pinterest	Louis Vuitton	American Express	GoPro	

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Apple started this co-branding partnership as a way to bring music from Apple to fitness enthusiasts of this reputed global brand.	Nike
Uber started to work with this company to give its riders a superior travelling experience.	Spotify
Starbucks partnered with this retailer to leverage the location of their bookstores.	Barnes & Noble
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Red Bull collaborated with this company to capture the many moments of their extreme sporting events and projects.	GoPro
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Amazon collaborated with this finance company to gather data / insights about buyers' purchasing activities.	American Express
MasterCard became the first credit card company to allow its users to store their credit and debit cards on the payment system of this US company.	Apple (Apple Pay)
Disney partnered with this tech company to design different productions, including a new Walt Disney World ride that the two companies jointly developed.	HP (Hewlett-Packard)
French retailer Carrefour collaborates with this British retail giant in order to cut costs of production.	Tesco

Microsoft Azure and SAS

Microsoft's mission is centred around empowering individuals and organizations worldwide to achieve greater accomplishments. The company strives to facilitate digital transformation in an era characterized by rapid technological advancements. Similarly, *SAS Analytics Software (SAS)* aims to inspire and empower customers across the globe by enabling them to transform data into valuable insights through their innovative software and services.

Azure, a cloud computing platform run by *Microsoft*, and *SAS* joined forces in 2020 in a collaborative effort to establish a response system specifically designed to address natural disasters, including floods caused by hurricanes. The primary objective of this partnership is to leverage cloud capabilities and advanced analytics in order to minimize the adverse effects of natural disasters and provide support to affected communities.

Through this **joint venture**, *Azure* plans to modernize the flood response system by introducing **Internet of things (IoT)** solutions to automate tasks that previously required manual efforts. This technological upgrade not only enhances the efficiency of the response system but also opens up opportunities to develop similar disaster management solutions for other flood-prone areas. By incorporating *SAS's* analytical capabilities, including historical data and real-time insights, the collaboration can effectively improve flood prevention measures and enhance communication channels through *Azure's* flood prevention tools.

The collaborative effort between *Microsoft Azure* and *SAS* is expected to yield significant benefits in terms of disaster response, utilizing advanced technologies, and data-driven insights to mitigate the impact of natural disasters and ensure the well-being of affected communities.

(a) Define the term *joint venture*. [2 marks]

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(b) Define the term *Internet of things (IoT)*. [2 marks]

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(c) Explain the impact of the joint venture on any **two** stakeholder groups of *Microsoft*. [4 marks]

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Answers

Microsoft Azure and SAS

Microsoft's mission is centred around empowering individuals and organizations worldwide to achieve greater accomplishments. The company strives to facilitate digital transformation in an era characterized by rapid technological advancements. Similarly, *SAS Analytics Software (SAS)* aims to inspire and empower customers across the globe by enabling them to transform data into valuable insights through their innovative software and services.

Azure, a cloud computing platform run by *Microsoft*, and *SAS* joined forces in 2020 in a collaborative effort to establish a response system specifically designed to address natural disasters, including floods caused by hurricanes. The primary objective of this partnership is to leverage cloud capabilities and advanced analytics in order to minimize the adverse effects of natural disasters and provide support to affected communities.

Through this **joint venture**, *Azure* plans to modernize the flood response system by introducing **Internet of things (IoT)** solutions to automate tasks that previously required manual efforts. This technological upgrade not only enhances the efficiency of the response system but also opens up opportunities to develop similar disaster management solutions for other flood-prone areas. By incorporating *SAS's* analytical capabilities, including historical data and real-time insights, the collaboration can effectively improve flood prevention measures and enhance communication channels through *Azure's* flood prevention tools.

The collaborative effort between *Microsoft Azure* and *SAS* is expected to yield significant benefits in terms of disaster response, utilizing advanced technologies, and data-driven insights to mitigate the impact of natural disasters and ensure the well-being of affected communities.

(a) Define the term *joint venture*. [2 marks]

A joint venture is a form of inorganic growth when two or more organizations decide to work together on a particular project that is beneficial to all parties involved in the collaboration. The joint venture creates a separate business division to pursue the shared goals of the parties involved.

(b) Define the term *Internet of things (IoT)*. [2 marks]

The Internet of things (covered in Unit 5.9) refers to the interconnection of computing devices by the use of the internet. The IoT is integrated in everyday devices allowing users to connect and exchange data.

(c) Explain the impact of the joint venture on any **two** stakeholder groups of *Microsoft*. [4 marks]

Possible responses could include an explanation of any two of the following points:

- Customers can benefit from the joint venture as users can be better prepared for any natural disaster that might happen and hence can attempt to reduce potential risks and damages.
- The local community would also be positively impacted as the fear of the unknown would diminish. Local communities gain from being able to have a better response system and be better prepared for any natural disaster, should this ever occur.
- The shareholders of *Microsoft* could benefit from the expansion plans of the joint venture, especially if the project is supported by governments. This can generate higher profits for the company, with more dividends being paid to the company's shareholders.
- *Accept any other relevant impact explained in the context of the case study.*

Answers

Fashionable Juuta (FJ)

Fashionable Juuta (*FJ*) is a well-known franchise company which sells a wide range of fashionable shoes in Hyderabad and Mumbai in India. The franchisor focuses on supplying high quality and stylish shoes, targeted at the growing affluent middle class.

FJ has a well-established customer base, although faces intense competition. In addition, without having a policy on corporate social responsibility (CSR), *FJ* has recently been accused by local pressure groups of using suppliers who employ child labourers.

- (a) Define the term *franchisor*. [2 marks]

A franchisor is a company or a private independent entity that grants the license to a third-party organization to conduct business using the trademarks of the franchisor (*Fashionable Juuta* in this case).

- (b) Explain **two** advantages of operating as a franchisee of *FJ*. [4 marks]

Potential advantages of operating as a franchisee include:

- Benefits of having an already established brand name and business model.
- *FJ* provides supplies and shop décor to the franchisee (although the latter pays for this).
- *FJ* is responsible for providing marketing support to the franchisee.
- *FJ* is responsive and receptive to constructive feedback / criticism for improvements.

Mark as a 2 + 2

Any two relevant points with an explanation will warrant full marks.

- (c) Examine **two** advantages to *FJ* of becoming a more socially responsible organization. [6 marks]

There are numerous advantages that *FJ* is missing due to the non-compliance of being a socially responsible organization – such as:

- Recruitment of staff could be improved as employees are more likely to be willing to work for an ethically sensitive firm. This could help *FJ* in terms of productivity, profitability, and staff retention.
- Existing staff morale may be boosted as the employees take pride in working for a socially responsible and ethical business organization.
- Due to acting in a socially responsible manner, the public relations (PR) of the company improves, including relationships with the government and various pressure groups.
- *FJ* could charge premium prices for its stylish / fashionable products as consumers are more ready to support a business with a history of good corporate social responsibility and ethical practices.
- As a result of engaging in corporate social responsibility and ethical business practices, *FJ* might avoid high costs associated with lawsuits and loss of business due to unethical behaviour, such as the use of child labour.
- Essentially, being a socially responsible organization may help *FJ* to increase its sales, profits, and market share in the long term.
- *Accept any other relevant factor / advantage, written in the context of FJ.*

Students are expected to select any two reasons and examine these in detail within the context of the case study in order to gain full marks.

Worksheet 43
1.5 Advantage of small and large businesses

(a) Identify **two** ways that the size of a business can be measured. *[2 marks]*

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(b) Use the key terms in the table below to explain the benefits of being a large business. *[8 marks]*

Branding	
Price	
Choice	
Customer loyalty	

(c) Use the key terms below to explain the benefits of being a relatively small business. *[8 marks]*

Personal attention	
Risk	
Flexibility	
Local monopoly power (market power)	

Worksheet 43
1.5 Advantage of small and large businesses

Answers

(a) Identify **two** ways that the size of a business can be measured. [2 marks]

Possible answers could include:

- The number of employees in the workforce.
- Sales revenue, i.e., the value of the firm's total sales.
- The firm's market share.
- The value of the firm's capital employed (as identified on its balance sheet).

(b) Use the key terms in the table below to explain the benefits of being a large business. [8 marks]

Branding	A large business is usually in a better financial position to spend money on promoting its brand in order to sell its goods or services to a larger and wider market. Larger businesses also tend to enjoy greater brand awareness, brand recognition, and brand loyalty.
Price	A large business can offer a lower price to its customers due to its ability to enjoy economies of scale. Hence, larger businesses tend to be more price competitive.
Choice	A larger business can offer a greater range of choice of goods and services to customers. This can attract more customers as compared to a smaller business which provide less choice to customers. As a result, larger businesses can provide better customer service and customer satisfaction.
Customer loyalty	A large business is generally able to entice customers to come back to make repeated purchases as a result of its ability to charge lower prices, provide a greater range of products, offer improved quality, and trust.

(c) Use the key terms below to explain the benefits of being a relatively small business. [8 marks]

Personal attention	Smaller firms are more likely to know their customers better as the staff are more likely to be able to spend time to build personal relationships with local customers.
Risk	Smaller firms have fewer financial risks compared to larger organizations with their broad and varied operations and business ventures. Small businesses can be set up with a relatively low amount of capital, again limiting risks.
Flexibility	Small businesses tend to be more adaptive to change. In the time of financial difficulties or changes in consumer tastes and preferences, a small business is more likely to have the ability to adapt to changing situations in the market.
Local monopoly power (market power)	A small business can enjoy having local monopoly power within a small or remote area where large firms do not have much incentive to operate in these places.

Worksheet 44
1.5 Economies of scale

(a) Define the term *internal economies of scale*. [2 marks]

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(b) Explain how the following types of **internal economies of scale** can help a business to reduce its average costs of production. [8 marks]

Technical economies	
Financial economies	
Managerial economies	
Marketing economies	

(c) Explain how the following types of **external economies of scale** can help a business to reduce its average costs of production. [8 marks]

Technological progress	
Improved workforce	
Government initiatives	
Regional specialization	

Worksheet 44
1.5 Economies of scale

Answers

- (a) Define the term *internal economies of scale*. [2 marks]

Economies of scale are factors within the control of a firm that help the organization to reduce its average costs of production as a result of an increase in output.

- (b) Explain how the following types of **internal economies of scale** can help a business to reduce its average costs of production. [8 marks]

Technical economies	Technical economies can be achieved with an investment in more efficient machinery, equipment, and technological enhancements, resulting in a lower average cost of the production for the larger firm.
Financial economies	Financial economies can be achieved when a firm has access to cheaper / more affordable financial markets or credit as a result of the expansion of the business.
Managerial economies	Managerial economies can be achieved with an increase in the size of the business, as the firm hires more specialized managers, resulting in an increase in overall productivity and hence a fall in average costs of production.
Marketing economies	Marketing economies of scale can be achieved from the ability of a business to enhance its advertising and marketing expenditure over a broader range of output and/or product range.

- (c) Explain how the following types of **external economies of scale** can help a business to reduce its average costs of production. [8 marks]

Technological progress	With improvements in technology, all firms in the industry get to enjoy a fall in their average costs of production, such as lower costs of transportation and communications.
Improved workforce	With better access to education and technical education in a particular geographical region or area, a better educated workforce can help to reduce the overall average cost of production due to the higher level of labour productivity.
Government initiatives	Government initiatives can help firms in a particular industry or geographical location to reduce their average costs of production (such as providing technical skills training, better road networks and infrastructure, or a direct subsidy paid to firms in the industry or geographical area).
Regional specialization	Sometimes, a geographical location is considered to be specialized in a specific industry (for example, watches in Switzerland or wine in Boudreaux, France), thereby resulting in a reduction in the average costs of the production for all firms in that particular industry.

Worksheet 45
1.5 Growth and evolution – Key terms

The list below features 12 of the most important definitions from Unit 1.5 of the IB Business Management course. Use the correct terms from the box to fill in the blanks:

Merger	Lateral integration	Organic growth	Takeover bid	Franchise
Forward vertical integration	Inorganic growth	First-mover advantage	Diversification	
Backward vertical integration	Conglomerates	Horizontal integration		

1. A _____ is a complex type of company which operates in several industries. These companies are often used to manage several different companies as a means of diversification across different industries.
2. A _____ is a form of external growth where a business buys the right to offer a product or service from the owner of the original business that initially developed the product or service.
3. A _____ happens when two or more businesses agree to integrate by forming a larger entity with the intention of creating a larger combined company.
4. _____ occurs when two businesses involved in the same line of business and are at the same stage of production decide to integrate as a larger company.
5. _____ is a growth strategy that occurs when a firm integrates with another business operating at a later stage in the production process.
6. _____ occurs when a business integrates with another business operating at an earlier stage in the chain of production.
7. _____ is the merger or integration of two or more firms that sell related goods or services, but these firms do not compete directly with each other.
8. _____ as a growth strategy involves entering a new market - one that the business does not currently operate in. It includes creating a new good or service for that new market.
9. _____ involves expansion from within a business, mainly by introducing a wider product range, or expanding the number of business units, operations and/or location.
10. A business can achieve _____ usually by means of a merger, acquisition (takeover), joint venture, or strategic alliance with at least one other business.
11. A _____ is the strategy of making the earliest entry into a market before other competitors have a chance to launch their own products in the market.
12. A _____ is an aggressive step a company takes to make an offer to purchase a controlling interest in another company.

Worksheet 45
1.5 Growth and evolution – Key terms

Answers

The list below features 12 important key terms from Unit 1.5 of the IB DP Business Management course. Use the correct terms from the box to fill in the blanks below:

Merger	Lateral integration	Organic growth	Takeover bid	Franchise
Forward vertical integration	Inorganic growth	First-mover advantage	Diversification	
Backward vertical integration		Conglomerates	Horizontal integration	

1. A **conglomerate** is a complex type of company which operates in several industries. These companies are often used to manage several different companies as a means of diversification across different industries.
2. A **franchise** is a form of external growth where a business buys the right to offer a product or service from the owner of the original business that initially developed the product or service.
3. A **merger** happens when two or more businesses agree to integrate by forming a larger entity with the intention of creating a larger combined company.
4. **Horizontal integration** occurs when two businesses involved in the same line of business and are at the same stage of production decide to integrate as a larger company.
5. **Forward vertical integration** is a growth strategy that occurs when a firm integrates with another business operating at a later stage in the production process.
6. **Backward vertical integration** occurs when a business integrates with another business operating at an earlier stage in the chain of production.
7. **Lateral integration** is the merger or integration of two or more firms that sell related goods or services, but these firms do not compete directly with each other.
8. **Diversification** as a growth strategy involves entering a new market - one that the business does not currently operate in. It includes creating a new good or service for that new market.
9. **Organic growth** involves expansion from within a business, mainly by introducing a wider product range, or expanding the number of business units, operations and/or location.
10. A business can achieve **inorganic growth** usually by means of a merger, acquisition (takeover), joint venture, or strategic alliance with at least one other business.
11. A **first-mover advantage** is the strategy of making the earliest entry into a market before other competitors have a chance to launch their own products in the market.
12. A **takeover bid** is an aggressive step a company takes to make an offer to purchase a controlling interest in another company.

Answers

Ppuncheay Marino (PM)

Ppuncheay Marino (PM) is a medium-sized textile business based in Quito, Peru, employing 300 staff. *PM* imports quality denim and manufactures these into high-quality jeans, which it sells at premium prices. Customers value the high-quality clothing and new fashion designs from *PM*. Due to competition and higher production costs, Carlos Ivcher, the owner of *PM*, has been considering **franchising** and has examined the marketing and legalities of this growth option. In addition, Carlos is contemplating a proposal made by a large clothing wholesale company for a possible merger. The employees are anxious about the proposed changes.

(a) Define the term *franchising*. [2 marks]

Franchising is a form of growth whereby a company (franchisor) enables an individual or organization (franchisee) to carry out commercial activities using the company's brands and/or products.

(b) Outline **two** reasons why *PM*'s employees are "anxious about the proposed changes". [4 marks]

Employees at *PM* might be anxious or fearful for any of the following reasons:

- Concerns about the unknown, i.e., anxieties about their future at *PM*.
- A possible cut in their salary and financial remuneration as *PM* is facing higher production costs.
- Possible redundancies if the merger with the large clothing wholesale company goes ahead.
- Greater demand and expectations in the workplace following the change in the organization, be it through a merger or franchising.
- Changes in employees' routine, work structures, teams, and/or the working environment following the merger or franchise.
- Threats to the individual worker's status / job role / job security.

For full marks, students are expected to cover any two appropriate reasons, applied to the case study.

(c) Compare and contrast the advantages and disadvantages for *PM* of the merger or franchising options. [6 marks]

Possible responses include the following points:

Advantages of a merger	Disadvantages of a merger
<ul style="list-style-type: none"> • A relatively quick form of growth and expansion. • Access to economies of scale (lower average production costs) and higher profit margins. • Greater market power from having a larger customer base. • Diversification and reduced / spread of risks. • Control of supply and retail channels through vertical integration. • Access to new technologies. 	<ul style="list-style-type: none"> • Potential loss of management control. • Changes to the corporate culture to adapt to the merged organization may require possible changes to core values of the firm. • There are potential arguments and disagreements between the merged parties. • Difficulties faced by employees adapting to new working practices and management styles. • Possible loss of customers loyalty due to less of a personalized service as <i>PM</i> grows.
Advantages of franchising	Disadvantages of franchising
<ul style="list-style-type: none"> • A quick form of growth at a relatively low cost for <i>PM</i> and hence less risk than organic growth. • Some opportunities for economies of scale (lower average costs) and hence higher profits. • Greater market power and larger customer base compared with organic growth. • Control remains with the owners of <i>PM</i>. • Franchisees / entrepreneurs are driven by running their own franchised businesses. 	<ul style="list-style-type: none"> • <i>PM</i> may have less control over its business operations and corporate image as franchisees may not follow all guidelines and/or deliver poor service standards. • Growth through franchising is not as quick as through a merger. • Profits are kept by the franchised owner of the business, rather than retained by the franchisor of the business.

Worksheet 47
1. 6 Multinational companies (MNCs)

(a) Use the words in the table below to explain the advantages of MNCs to host countries. *[10 marks]*

Key words	Advantages of MNCs to host countries
Job creation	
Infrastructural and technological developments	
Increased efficiency	
Increased gross domestic product (GDP)	
Tax revenues to the government	

(b) Use the words in the table below to explain the disadvantages of MNCs to host countries. *[10 marks]*

Key words	Disadvantages of MNCs to host countries
Job losses in domestic businesses	
Repatriation of profits	
Intensity of competition	
Exploitation of resources	
Influence on government and the economy	

Worksheet 47
1. 6 Multinational companies (MNCs)

Answers

(a) Use the words in the table below to explain the advantages of MNCs to host countries. [10 marks]

Keywords	Advantages of MNCs to the host countries
Job creation	MNCs help to create employment opportunities in the host country. Training is provided to local people, thereby helping them to improve efficiency and quality of output.
Infrastructural and technological developments	MNCs can bring to the host country new skills and technology, as well as develop infrastructure. These benefits help the host country to improve further.
Increased efficiency	Domestic firms face competition from foreign MNCs. Hence, domestic firms may be forced to improve their quality and productivity to compete more effectively. This should help to improve overall efficiency.
Increased gross domestic product (GDP)	The total value of all output of goods and services in the economy will improve, i.e., a higher level of GDP. More employment would lead to increased demand, thereby improving average standard of living.
Tax revenues to the government	The government's tax revenues will increase, largely due to the profits made by the MNCs. The tax revenues can then be used to further support the host country's social and economic objectives.

(b) Use the words in the table below to explain the disadvantages of MNCs to host countries. [10 marks]

Keywords	Disadvantages of MNCs to the host countries
Job losses in domestic businesses	MNCs may be more efficient than domestic businesses. If the MNC's product quality is superior and the price is lower, this makes it challenging for domestic businesses to survive and may even be forced out of the market.
Repatriation of profits	The profits are sent back to the MNC's home country rather than kept in the host country. As earning profit is the key objective of most MNCs, relocation may occur to take advantage of lower costs, but this increases the degree of insecurity for the host country.
Intensity of competition	Domestic firms face competitive pressures if MNCs provide superior quality products at competitive prices and have the technology and finance to their advantage. Hence, domestic firms may find it challenging to compete and survive.
Exploitation of resources	MNCs might not consider the ethical or sustainable use of scarce resources, e.g., workers might be exploited by some foreign MNCs due to their market power or pollution may arise from more business activity.
Influence on government and the economy	Host countries may find it difficult to control the actions of MNCs due to their market power. MNCs can be very large so could exercise a lot of influence on the government and economy of the host country.

The Coca-Cola Company

The Coca-Cola Company is a beverage company with products sold in more than 200 countries and territories. Its purpose, as outlined in its promotional material is to refresh the world and make a difference. It has a broad range portfolio including Coca-Cola, Sprite, Fanta, and other sparkling carbonated soft drinks. The company has expanded by introducing sports drinks, coffees, and teas such as Topo Chico, Powerade, Costa, Georgia, Gold Peak, Ayataka, and BodyArmor. Along with its bottling partners, the *Coca-Cola Company* employs more than 700,000 people providing economic opportunities to local communities worldwide.

Source: adapted from [The Coca-Cola Company](#)

(a) Outline the evidence that suggests that the *Coca-Cola Company* is a multinational company. [2 marks]

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(b) Explain **two** reasons why the *Coca-Cola Company* operates worldwide. [4 marks]

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(c) Identify **two** stakeholder groups that are positively impacted by the *Coca-Cola Company's* expansion. [2 marks]

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(d) Identify **two** stakeholder group that will be negatively impacted by the *Coca-Cola Company's* expansion. [2 marks]

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Answers

The Coca-Cola Company

The *Coca-Cola Company* is a beverage company with products sold in more than 200 countries and territories. Its purpose, as outlined in its promotional material is to refresh the world and make a difference. It has a broad range portfolio including Coca-Cola, Sprite, Fanta, and other sparkling carbonated soft drinks. The company has expanded by introducing sports drinks, coffees, and teas such as Topo Chico, Powerade, Costa, Georgia, Gold Peak, Ayataka, and BodyArmor. Along with its bottling partners, the *Coca-Cola Company* employs more than 700,000 people providing economic opportunities to local communities worldwide.

- (a) Outline the evidence that suggests that the *Coca-Cola Company* is a multinational company. [2 marks]

Multinational companies are businesses that have operations in more than one country. The *Coca-Cola Company* operates with products sold in more than 200 countries and territories; this suggests that it is indeed a large multinational company.

- (b) Explain **two** reasons why the *Coca-Cola Company* operates worldwide. [4 marks]

Valid points could include an explanation of any two of the following:

- To benefit from economies of scale.
- To strengthen brand loyalty.
- To diversify and spread risks.
- To lower the cost of production by operating in overseas markets (due to lower cost of rent, raw materials and component parts, government grants, and other financial incentives).
- *Accept any other relevant reason explained in the context of the case study.*

- (c) Identify **two** stakeholder groups that are positively impacted by the *Coca-Cola Company's* expansion. [2 marks]

- Shareholders of the *Coca-Cola Company*, as they aim to achieve capital gain and dividend payments from the company's continued growth and expansion.
- Governments, as they tend to collect more corporation tax from the expansion of MNCs operating in their countries.
- Local communities, as they might gain from additional employment opportunities.
- Domestic suppliers, as they can gain from more businesses out of the company's expansion.
- *Any other relevant stakeholder group.*

- (d) Identify **two** stakeholder group that will be negatively impacted by the *Coca-Cola Company's* expansion. [2 marks]

- Competitors, especially local producers, as their revenue is likely to fall as a result of the *Coca-Cola Company's* expansion.
- Local communities could lose out if the *Coca-Cola Company's* expansion causes environmental damage or congestion.
- Pressure groups, as their power to lobby against the *Coca-Cola Company's* expansion would diminish with an increase in market share of the same company.
- *Any other relevant stakeholder group.*

Worksheet 49
1.6 Multinational companies

The table below shows examples of multinational companies (MNC). From the list, match each company with the correct headquarter location and country of origin. You can use the Internet to find the answers.

Name of MNC		Country of origin	Headquarter location
Pirelli & C. S.p.A.		South Korea	Seoul
Red Bull GmbH		Italy	Milan
Nando's		Taiwan	Taipei
Nestlé S.A.		Netherlands	Amsterdam
Kia Motors		Sweden	Stockholm
AsusTek Computer Inc		Austria	Fuschl
Faber-Castell		Germany	Stein
Huawei Technologies Co		South Africa	Johannesburg
Michelin		China	Shenzhen
Electrolux		Switzerland	Vaud
Philips		France	Clermont-Ferrand

Multinational companies

British East India Company, Dutch East India Company, and the Swedish Africa Company are some of the earliest examples of multinational companies. Created during the era of colonization, these companies played a pivotal role in shaping history for several centuries. Many historians and economists have accused multinational companies of exploiting labour, unsustainable resource extraction, and unethical transfer of resources to the country of origin. However, supporters of multinational companies argue that their presence in other countries create positive social and economic contributions to host countries and communities.

(a) Students of pirateIB , define the term *multinational company*. [2 marks]

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(b) Explain **two** positive impacts that multinational companies can have on host countries. [4 marks]

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(c) Explain why setting up a business in a foreign country can be challenging for a multinational company. [4 marks]

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Worksheet 49
1.6 Multinational companies

Answers

The table below shows examples of multinational companies (MNC). From the list, match each company with the correct headquarter location and country of origin. You can use the Internet to find the answers.

Name of MNC		Country of origin	Headquarter location
Pirelli & C. S.p.A.		South Korea	Seoul
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Nando's		Taiwan	Taipei
Nestlé S.A.		Netherlands	Amsterdam
Kia Motors		Sweden	Stockholm
AsusTek Computer Inc		Austria	Fuschl
Faber-Castell		Germany	Stein
Huawei Technologies Co		South Africa	Johannesburg
Michelin		China	Shenzhen
Electrolux		Switzerland	Vaud
Philips		France	Clermont-Ferrand

Multinational companies

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(a) Define the term *multinational company*. [2 marks]

A multinational company is a business entity that has business activities/operations in more than one country, with its headquarters (usually) in the country of origin.

(b) Explain **two** positive impacts that multinational companies can have on host countries. [4 marks]

Possible reasons could include:

- Multinational companies create employment opportunities and training programmes to improve the quality and efficiency of people in local communities in overseas countries.
- The business operations of MNCs bring in foreign currency and the host country would benefit from using the money to import necessary goods and services.
- Local businesses also benefit from supplying inventory (stocks) and services to the multinational company, helping them to benefit from additional revenues and further job creation.

(c) Explain why setting up a business in a foreign country can be challenging for a multinational company. [4 marks]

Possible reasons could include:

- Lack of understanding of foreign languages, customs, and local/national cultures can be the most critical problem faced by a multinational company looking to expand overseas.
- Similarly, the lack of knowledge of the legal framework in overseas countries often presents many challenges for multinational companies.
- Poor communication and coordination between multinational companies and their headquarters in the home country.
- Challenges attributed to the hiring and training needs of the local employees.
- Various economic considerations, such as exchange rates, inflation, and the economic growth of the country.
- Political support and willingness to welcome foreign multinational companies.

Smartphones in Rwanda

Statistics from the Ministry of Information and Communications Technology show that out of the 10 million Rwandans who have mobile phones, only around 1.6 million own smartphones. In 2020, mobile phone penetration stood at 79.8%, but smartphone penetration was still low at 14.6%. The researchers are optimistic about growth in the smartphone market in Rwanda which they believe has room for further growth. Rwanda's GDP (gross domestic product) is growing at one of the highest rates in Africa - with the help of a stable government and a rise in the number of young educated people, there is ample scope for growth in the smartphones and telecommunications industry.

However, large numbers of unemployed workers and the urban poor still find smartphones too expensive to buy and own. The telecommunications industry consists mainly of state-owned companies and is centrally controlled. Deregulation of the market and foreign part-ownership may allow the market to be more competitive. Chinese companies are pouring money into Africa to strengthen their presence across the continent. This means consumers could have access to the best and latest smartphones as leading Chinese smartphone companies are interested in investing in Rwanda.

Source: adapted from <https://www.aa.com.tr/en/>

- (a) Explain how the objectives of a Rwandan telecommunications company might change if it shifted from the public to the private sector of the economy. *[4 marks]*

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- (b) Examine the likely success of a foreign business entering the Rwandan telecommunications market. *[6 marks]*

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Smartphones in Rwanda

Answers

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However, large numbers of unemployed workers and the urban poor still find smartphones too expensive to buy and own. The telecommunications industry consists mainly of state-owned companies and is centrally controlled. Deregulation of the market and foreign part-ownership may allow the market to be more competitive. Chinese companies are pouring money into Africa to strengthen their presence across the continent. This means consumers could have access to the best and latest smartphones as leading Chinese smartphone companies are interested in investing in Rwanda.

Source: adapted from <https://www.aa.com.tr/en/>

- (a) Explain how the objectives of a Rwandan telecommunications company might change if it shifted from the public to the private sector of the economy. [4 marks]

A privately held company will be likely to focus on costs, efficiency, and profit. Objectives like the provision of services for the community and providing employment are likely to be replaced by objectives such as profit maximization, growth, increased market share, and maximizing the return for shareholders.

- (b) Examine the likely success of a foreign business entering the Rwandan telecommunications market. [6 marks]

The political/legal environment

Currently, the market is highly regulated and entry to the Rwandan market is difficult which could be a potential threat to foreign businesses trying to penetrate the industry. There could be possible bureaucracy / administrative barriers, which could make the transition challenging for foreign companies.

Economic factors

Future deregulation of the telecommunications industry could be seen as an opportunity for foreign businesses trying to expand or enter Rwanda. The positive economic environment of Rwanda, with its relatively high GDP growth rate and disposable income (real GDP), is an opportunity to be explored by foreign firms in the future.

Social factors

A large number of unemployed workers and the fact that the urban poor find the service too expensive should be regarded as a threat to foreign companies. However, high population growth means more future / potential customers, which is an opportunity for domestic and foreign telecommunications companies in the future. Also, smartphones could be seen as a fashion accessory and conspicuous consumption (the purchase of luxury goods), which could be an opportunity for foreign businesses as well.

Technological factors

Foreign companies could bring the latest technologies to Rwanda and local customers could also benefit from having access to the latest smartphones and mobile technologies.

Given the above identification of opportunities and threats, it is likely that students may determine that the potential opportunities for foreign companies outweigh the threats. Consequently, a foreign company entering the Rwandan market is likely to succeed given the above analysis. However, the external environment might change very rapidly, and unforeseen factors might reduce the chances of success. Furthermore, not all firms will benefit or gain to the same extent, depending on their level of market share and market power in the mobile phones and smartphones industry.