

**IB Business Management**

***CASE STUDY PACK – MAY 2017***

Paul Hoang



© Level7 Education



For use in May 2017

## How to use the Case Study Pack 2017

This 169-page Case Study Pack has been produced to help colleagues and students in their preparations for the May 2017 Paper 1 examination (*Utopia*).

The comprehensive Case Study Pack for *Utopia* includes:

1. **Definitions** of all the key terms in the case study. 80 key terms have been identified and clearly defined in the context of the *Utopia* case study. There is also an explanation of additional key words/phrases such as:

- Fair trade
- Commodity markets
- Espresso
- Life skills
- Trafficking
- Financial year
- Business interests
- 3D printing

See pages 6 – 18

2. A **stakeholder profile** of all the people and various stakeholders featured in the case study, including John, Paul and Liza.

See pages 19 – 21

3. A **time line** of all events in the case study. The time line allows students to see the events of the case study in a chronological way and helps to consolidate their comprehension of the *Utopia* case study.

See page 22 – 23

4. **Weekly comprehension quiz questions** – 10 short comprehension questions each week for 10 weeks to help test students' learning of the *Utopia* case study. The first page of each quiz contains a version for students and the second page comes with the answers for teachers.

See pages 24 – 43



For use in May 2017

5. **True or False questions** – 10 questions each week for 10 weeks to test students' recall and understanding of the case study. The first page of each quiz contains a blank version of the True or False quiz for students and the second page comes with the answers (for teachers).

See pages 44 – 63

6. **Wordle quizzes** – A collection of 5 Wordle quizzes to test your student's understanding of the case study. These quizzes are similar to crosswords but contain the answers randomly in a word cloud. The Wordles can also be used as part of a classroom display to trigger students' memory of the case study.

See pages 64 – 73

7. An applied **SWOT analysis** of *Utopia*. A SWOT analysis is a useful tool for strategic analysis. Whilst the case study lacks financial data, a fully applied SWOT analysis has been included for the *Utopia* case study.

See pages 74 – 78

8. A **PEST analysis** for *Utopia*. Similarly, a PEST analysis also provides useful information for strategic analysis and for formulating business strategy. A PEST analysis has been included for *Utopia* using information contained in the case study.

See pages 79 – 82

9. **Exam-style questions** with mark allocations, using the learning outcomes from the IB BM syllabus. Choose from the **426** exam-style questions that can be used for independent or collaborative work, homework, assessments and/or practise examinations. Each question comes with the mark allocation, command term and direct link to the Business Management syllabus.

See pages 80 – 136



For use in May 2017

10. Separate **Paper 1 mock exams** for HL and SL, with accompanying mark schemes. The Paper 1 *Utopia* Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme. For the SL mock exam, additional information has been included for Section B. For the HL mock exam, additional information has been included in Sections B and C.

**Note:** whilst real data have been included where possible, the additional information in Sections B and C is fictitious, included only for the purpose of providing additional practise for the final examination.

SL mock exam paper - See pages 137 – 139      SL marks scheme - See pages 140 – 149

HL mock exam paper - See pages 150 – 154      HL marks scheme - See pages 155 – 169

For more tips and free advice/resources on preparing for the *Utopia* case study, and Business Management in general, follow Paul on Twitter: [@paulhoang88](https://twitter.com/paulhoang88) and the hashtag [#IBBusinessManagement](https://twitter.com/IBBusinessManagement).

Best wishes with the preparations for the May 2017 examinations!

Paul Hoang  
February 2017



*Utopia* – where we'd all like to be right now





For use in May 2017

### Case Study Pack testimonials

*"The case study pack was bought and delivered within the same day for me. Saves me HOURS of prep work with only a few school weeks to go. Kids like it too. Lots of T&L ideas and the mocks are great too."*

Neile Edwards

*"Given that we all want the best for our students, this case study pack saves us countless hours of preparation and burning the midnight candle. A life saver for all, especially given the attention to detail and high quality of the resources in this pack. Brilliant!"*

Matthew Temp

*"I have received the study pack and it is really helpful for my students. Thanks to Paul Hoang." –*

Sinduja Menon

*"I've always used and enjoyed your revision toolkit."*

Jesper Sigh

*"Am very excited about this pack as it will no doubt help me and my students a lot."*

Abneeta Prasad

*"Paul's case study pack is AMAZING."*

Matt Tian

*"Bought this, good value, recommended."*

Edward Creighton

*"Wow. What a commitment to education. Thanks for producing such a remarkably useable and useful resource pack, despite its very short shelf life."*

Barbara Cooper

*"I'm a big fan of Paul Hoang's case study packs. Thank you for providing BM teachers with this brilliant resource! Herzliche Grüße!"*

Petra Hau

*"Outstanding. I am most impressed with how easy this has been, and how prompt responses (from Level7 Education) are. Thank you for your help."*

Dan Lifton

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Entrepreneur (1, 40)**

An entrepreneur is someone who bears the financial risks of starting and managing a business or a commercial venture. The entrepreneur can develop new ideas or find a new way of offering an existing product. John Ariki is the entrepreneur behind *Utopia* and *JAC*. He assumes the financial risks and rewards of running these businesses.

**Shares (1)**

A share represents a unit of ownership in a company with all the shares representing the total capital of a company. John Ariki owns all of the shares in *Utopia*.

**Private limited company (1)**

A private limited company is an incorporated business owned by shareholders who have limited liability. The shares of a private limited company cannot be bought by or sold to the general public. *Utopia* is a private limited company.

**Position (3)**

This is a visual tool used to show customers' perceptions about the product or brand in relation to others in the market, against measures such as price and quality. *Utopia* is positioned as of a provider of luxury holidays, offering exceptional levels of comfort and service.

**Service (4)**

A service is an intangible product provided by an organization. *Utopia* provides its customers with a once-in-a-lifetime tourist experience on the island of Ratu.



**Word of mouth (6)**

Word of mouth (WOM) is a form of unpaid promotion whereby customers tell others about a business or its products. WOM is increasingly important for all businesses, as happy and satisfied customers can influence many others especially in the age of social media and social networking. *Utopia* relies heavily on WOM promotion.

**Promotion (6)**

Promotion refers to the methods of communicating marketing messages to potential customers, usually with the intention of selling a firm's products. *Utopia* relies on the use of word of mouth marketing for its promotion.

**Viral (7)**

A form of online promotion whereby content (information, images or video) is shared rapidly from one person to many others, often via social media and video-hosting websites. Video clips of *Utopia* have occasionally gone viral on the Internet.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Business plan (8, 10, 44)**

A business plan is a written document detailing how a business sets out to achieve its objectives and strategies. It is prepared by the owner(s) and describes the market, sales strategy, operations, financial forecasts, and staffing needs of the business. John Ariki produced the original business plan for *Utopia* in 2000.

**Culture (11, 34)**

Culture describes the norms and the traditions within an organization or community. John Ariki believes that his villas at *Utopia* reflect the culture of the Pacific Islands.

**External stakeholders (12)**

These are individuals or other organizations that are not part of the business but have a direct interest in its operations. Examples include customers, suppliers, competitors, outside investors and the government. John Ariki has resisted pressures from external stakeholders to expand his business.

**Expand (12, 41, 67)**

This is the growth of a business due to an increase in the size of the organization. Expansion is usually measured by an increase in sales revenue. *Utopia's* expansion has been in the form of organic growth (expansion due to a larger customer base).

**Capacity (13)**

*Capacity refers to the maximum output of a worker, department or organization, per period of time. It is based on the ability of the business to use its resources to produce goods and services. Utopia's capacity is operating its 24 villas (all being let to customers) at any one moment in time. Liza believes that there is far more capacity to expand JAC coffee in markets around the world.*

**Just-in-time (JIT) (14)**

*JIT is a method of stock control whereby materials and components are scheduled to arrive precisely when they are needed for production or sale. Utopia uses JIT for obtaining the ingredients it uses for serving customers in their villas. JIT can save money for Utopia because holding large volumes of stock (inventory) can be very costly and wasteful.*

**Supply (16)**

Supply refers to the amount of a good or service that an organization is willing and able to produce at different price levels. In general, supply increases when prices are higher as new entrants can cover their production costs and existing businesses earn greater profit margins. *Utopia* is supplied with its coffee from Aora, although there are suppliers in Indonesia and Papua New Guinea who are willing and able to supply their coffee to *Utopia*.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Prices (17, 18)**

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn profit. John is willing to pay a premium price for the award-winning coffee from Aora.

**Ethically (17)**

Ethics refer to the moral principles and values that form the basis of how business activity is conducted. Ethical behaviour means that a business acts in a socially responsible way towards its stakeholders. Despite the higher prices paid, John prefers to source his coffee from Aora as the fair trade product is ethically produced.

**Suppliers (18)**

Suppliers are an external stakeholder group that sell goods and services to other businesses. John uses suppliers from the neighbouring island of Aora for its award-winning coffee.

**Brand (21, 28, 59, 66)**

This refers to a distinguishing name of a product or organization which, as an intangible asset, differentiates it from competing products and firms in the market. *JAC* and *Utopia* are examples of brands.

**Paternalistic (21)**

A paternalistic leader is someone who treats employees as if they were family members, by guiding and consulting them. The leader has extensive authority over employees but decisions are made which s/he believes are in the best interest of the workforce. John Ariki is a paternalistic leader.

**Sole trader (23)**

A sole trader is an individual who owns and operates his or her own business, although s/he can employ other people to help run the organization. The firm's finances are inseparable from those of the owner, who has unlimited liability. John owns *JAC* as a sole trader.

**Product oriented (23-24)**

A business is product oriented if it focuses on the products (goods and services) rather than focusing on the wants or needs of its customers. Product orientation places emphasis on building a high-quality product in an efficient way. *JAC* is product oriented as it focuses on supplying high-quality coffee to its customers without conducting any market research to find out what customers want.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Quality (24)**

Quality refers to the extent to which a product is fit for its purpose, i.e. whether it meets (or exceeds) the needs and wants of the customer by conforming to a certain standard. Dimensions of quality include: durability, reliability, customer service, after-sales care and the physical appearance of the products. *Utopia* offers an exceptional once-in-a-lifetime experience for its customers and *JAC* offers high-quality coffee and food in its café.



**Distribute (28)**

Distribution is related to **place** in the marketing mix and refers to the entire process of getting the right products to the right place at the right time where the customers want them, all in the most cost-effective way possible. *JAC* distributes its ground coffee to a number of neighbouring Pacific Islands.

**Growth (30, 43)**

Growth is the expansion of a business due to an increase in the size of the organization and/or growth in the industry. A business can grow internally (organic growth) or externally (inorganic growth). John's businesses have grown internally. He was surprised by the rate of growth of *JAC*.



**Business (33, 41, 43, 51, 64)**

A business is a decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers. It combines human, capital and financial resources to create such goods and/or services. John owns two businesses: *JAC* and *Utopia*.

**Chain (35)**

Chain stores are a series of retail shops owned by a firm that operates under the same brand name. They sell the same products and are spread nationwide or worldwide with numerous outlets. Chain stores usually benefit from brand recognition and customer loyalty. Paul Ariki's business thinking was inspired by a small chain of coffee roasters and retailers (as they made considerable donations to charities).

**Retailers (35)**

A retailer is a merchant or vendor that sells goods and services directly to consumers, usually in small quantities. This contrasts with wholesalers and suppliers, who usually sell to other business customers. The case study mentions a chain of coffee retailers in Seattle that helped to inspire Paul Ariki's business thinking.



**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Donations (35)**

A donation is a gift (usually financial) from one party to another, usually for charitable purposes or to benefit a particular cause. The case study mentions that a small chain of coffee retailers in Seattle donated a significant amount of money to charities with the aim of eradicating human trafficking.

**Charities (35)**

A charity is a non-profit organization set up to provide help and raise money for those in need. Paul Ariki was impressed by the significant donations made by a small coffee chain based in Seattle to charities to help their cause.

**Aim (36)**

An aim is the long term goal of an organization. It helps to give the organization and its personnel a sense of purpose and strategic direction. The charities mentioned in the case study aim to eradicate human trafficking.



**Multinational (36)**

A multinational company is an organization owned by shareholders and operates in two or more countries. Its headquarters are typically based in the country of origin. Paul Ariki was disinterested in the large multinational coffee chain headquartered in Seattle.

**Headquartered (37)**

A company's headquarters (HQ) is the location where most, if not all, of the major strategic decisions of an organization are coordinated. The HQ is where the organization's top executives work, managing and overseeing the important aspects of all business operations, such as company policies, regulations and processes. The multinational coffee chain mentioned in the case study is headquartered in Seattle.

**Marketing (37)**

Marketing is the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. It involves meeting customers' needs and wants by focusing on ensuring the product, price, place and promotion are effective in encouraging sales of the good or service. Paul Ariki is in charge of marketing at *JAC*.

**Operations (37)**

Operations management is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the form of goods and/or services. It aims to provide the right quantity and quality of goods or services in a cost-effective and timely manner. Paul Ariki is in charge of operations at *JAC*.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Product development (38)**

This is a growth strategy in Ansoff's matrix that involves *Utopia* trying to create new goods and services targeted at its existing markets. It is the complete process of bringing a new product or newly rebranded one to the market. Paul Ariki has a special interest in product development at *JAC*.

**Local community (39)**

A local community consists of people and organizations in a particular geographic location that share common resources and interests in the area. They are an external stakeholder group consisting of the business community, customers and residents in a particular location. Paul Ariki is always looking for ways to contribute to the local community on Ratu.

**Human resource manager (40)**

The human resource manager is in charge of the personnel roles and functions in an organization. At *JAC*, the human resource manager is Liza, who is responsible for the development of employees and overall workforce planning. Her role would include the recruitment, selection, dismissal, training and development of employees at *JAC*.

**Finance (40)**

Finance refers to monetary funds required either for the start-up of a new business venture, the day-to-day running, or expansion. Finance for a business can be either internal (such as retained profit), or external (such as share capital or bank loans). Liza is in charge of finance at *JAC*.



**Entrepreneurial (40)**

This term describes someone who is an entrepreneur, i.e. someone who is willing and able to take risks and has the skills to make a business successful. The case study refers to Liza being entrepreneurial.

**Visionary (41)**

A visionary is an entrepreneur who has the foresight and driving force behind a company's growth and development. Visionaries can see market changes and trends before they happen, or even set the trends. Liza is described as being a visionary.

**Opportunities (42, 63)**

These are a set of circumstances in the external business environment that create a chance or opening for further progress. An opportunity arises from being able to fulfil the unmet needs of customers. Liza envisages business opportunities beyond a local level as she sees huge potential for expanding *JAC* coffee to overseas markets like Samoa, Fiji and New Zealand.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Brand loyalty (43)**

This measures the degree to which customers consistently repurchase the same brand of a product over time rather than buying from rival suppliers. Strong brand loyalty exists when customers are committed to a certain brand and make repeat purchases time and time again. Marketing strategies designed to cultivate loyal customers can give organizations a competitive advantage.

**Markets (45)**

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service. The market for coffee is a global one, which Liza would like to expand into.

**Customers (47)**

Customers are the individuals or organizations who purchase goods or services from a business. All businesses strive to meet the needs and wants of their customers as they are a key external stakeholder group. John's customers did not continue to book his villas at *Utopia* following the natural disaster on Ratu.

**Financial loss (49)**

A business experiences a financial loss when its cost of production exceeds the sales revenue during a particular time period, usually a financial year. This means the money it earns from selling goods and services is insufficient to pay for all its production costs. *Utopia* suffered its first financial loss in 16 years after the natural disaster on Ratu.

***Crisis management (50)***

*Crisis management refers to the reactive strategies used by an organization when faced with a sudden and unexpected emergency, such as a fire or natural disaster (such as the one that occurred on Ratu in 2016).*

***Crisis management plan (50)***

*A crisis management plan outlines the processes and procedures by which an organization intends to deal with a situation that could potentially harm or threaten its survival or long-term viability. After the natural disaster of 2016, John Ariki decided to create a crisis management plan.*

***Contingency planning (50)***

*Also known as **crisis planning**, contingency planning involves designing proactive policies and procedures to deal with a crisis (emergency) in order to ensure the continuity of the business. Following the natural disaster on the island in 2016, John Ariki decided to create a contingency plan based on costs, time, risks and safety.*

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Cost (50, 77)**

Costs are items of expenditure by a business when producing its goods and/or services. John's contingency plan accounted for the costs of future crises, such as the cost of repairing or replacing the villas in the event of a (subsequent) natural disaster.

**Risks (50)**

*A risk refers to a situation with unknown outcomes which could damage the financial health and viability of a business. Some risks, with a high degree of uncertainty, can cause a financial loss and possibly threaten the survival of an organization. John's contingency planning should help to minimize the impact of potential risks of any future crisis his businesses might face.*

**Internal growth (51)**

Also known as **organic growth**, internal growth occurs when a business expands using its own resources to increase the scale of its operations. John Arika was against the use of external investors to help finance the growth of his businesses.

**Internal sources of finance (51, 52)**

Internal sources of finance are the various methods by which an organization funds its operations without the use of third-party (external) finance. John preferred to use internal sources (such as personal savings and retained profits) to finance his business operations.



**External investors (52)**

External investors are stakeholders who provide external sources of finance to an organization. Examples include financial lenders (such as banks), business angels and venture capitalists. They are interested in the financial performance of the organization, especially its profitability and gearing. However, John has been against the use of external investors for his businesses.

**Vision (53, 58)**

The vision of a business is where the organization aspires to be in the future. It is therefore where the business ultimately wants to be. Having a vision gives an organization a clear sense of purpose. John did not want the vision of *Utopia* to be compromised irrespective of the growth options discussed with his children.

**Revenue streams (55)**

Revenue stream refers to the money or income coming into the business from a particular activity over a period of time. Revenue streams for *Utopia* come from bookings of its villas and the food/coffee ordered by its customers. John is aware that his businesses need alternative revenue streams, especially after suffering its first ever financial loss in 2016.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Positioning (55)**

Market positioning is an analytical tool that ranks the price and quality of different products, brands or firms according to the perceptions of customers. The natural disaster in 2016 negatively impacted on the market position of *Utopia* due to safety concerns, especially as holidays at *Utopia* are not cheap.

**Threat (55)**

A threat refers to any external factor that hinders the operations and profitability of an organization, e.g. competition, technological breakdowns and adverse weather conditions. A major threat to the long-term viability of *Utopia* was the aftermath of the natural disaster on Ratu in 2016.

**Social responsibility (58)**

Social responsibility is the conscience of a business with consideration of the organization's actions on its various stakeholder groups and the natural environment. It consists of responsible business behaviour towards the natural environment, consumers, suppliers, employees and local communities. John was adamant that any growth strategies would not compromise the vision and social responsibility of *JAC* and *Utopia*.

**Growth options (56, 76)**

The term 'growth options' refers to the generic ways in which an organization can expand. According to the Ansoff matrix, there are four different growth options for an organization: market penetration, market development (emphasised by Liza Ariki), diversification and product development (emphasised by Paul Ariki).

**Brand development ('developing the brand') (59)**

Brand development is the marketing strategy used to move a brand to its desired position in the market. It is about enhancing the organization's reputation and its visibility (or presence) in the industry. It involves marketing activities and processes to improve customers' knowledge and perceptions of a brand. Paul, being in charge of marketing at *JAC*, is interested in developing the brand, such as by selling branded customized souvenirs.

**Customized (59)**

Also known as **job production**, this production method involves the manufacturing of unique or one-off orders for the specific requirements of each customer. Paul is proposing the use of customized production of branded souvenirs using 3D printing software.

**Gross profit margins (GPM) (61)**

The GPM is a profitability ratio that measures the proportion of gross profit generated from the sales revenue of a business. Paul believes there is a high GPM on the production of the 3D printed customized souvenirs for *Utopia*, due to the relatively low cost of making the souvenirs.



**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Fixed costs (62)**

Fixed costs are costs which do not change with the level of output or sales. The purchase cost of the 3D printing machine would be an example of a fixed cost of production for *Utopia*.

**Capital expenditure (64)**

This refers to spending by a business on acquiring, maintaining and/or upgrading fixed assets in order to broaden its capital base. Capital expenditure represents a financial investment in the business, e.g. the purchase of equipment, machinery and buildings.



**Devalued Brand (66)**

Brand value represents the premium that customers are willing to pay in order to buy a certain brand of a product rather than a rival product. Brand value ensures a business can earn a high profit margin. The brand value of *Utopia* fell, i.e. a devalued brand, in 2016 due to the natural disaster causing huge uncertainties and concerns about visiting the island.

**Market research (68, 69)**

Market research is the process of gathering and interpreting information regarding the thinking patterns and buying habits of customers. It involves collecting primary and/or secondary data, which may be of a quantitative or qualitative nature. Liza Ariki has conducted some market research which revealed there is potential profit to be earned by expanding to Fiji and Samoa, and considerable profits could be earned by entering New Zealand.



**Stratified sampling (68)**

This is a probability sampling method whereby the researcher splits the sample into groups (called strata) with a random sample chosen proportionately from each stratum (the sub-population) for research purposes. This helps to minimise sampling bias as more representative sub-groups are used to generate market research results from surveys and interviews. Liza Ariki used stratified sampling to investigate the feasibility of expanding operations to overseas markets such as Fiji, Samoa and New Zealand.

**Profit (69 and 70)**

Profit is the surplus from sales revenue after all production costs have been deducted. It is a fundamental objective of most private sector organizations. In its most simplistic form, profit = sales revenue minus total costs. *Utopia* had enjoyed profits since 2000, until after the natural disaster on Ratu in 2016. Liza's market research revealed there could be profit earned by expanding operations to Fiji, Samoa and New Zealand.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**External factors (73)**

External factors are those that are beyond the control of the business yet have a direct impact on its operations and performance. They include: social, technological, economic, ethical, political, legal, and environmental factors. Liza Ariki is aware that expansion of *JAC* in overseas markets would expose the business to many external factors.

**Distribution channels (73)**

Distribution channels describes how the final good or service passes from the producer to consumers (the end users), such as using wholesalers and retailer. The end user may be a consumer or another business. *JAC* would require new channels of distribution if it pursued a market development strategy in countries such as Fiji, Samoa and New Zealand.

**Strategic alliance (74)**

A strategic alliance is a form of external (inorganic) growth, involving two or more organizations working together on a particular project. They share operating costs but both organizations remain as separate business entities. Liza's consideration of market development could involve establishing a strategic alliance in order to sell *JAC* coffee in overseas markets.

**Joint venture (74)**

This is an external method of growth involving two or more businesses pooling resources together to establish a new legal entity. The joint venture is a separate business in its own right. Liza's proposal of market development could entail setting up a joint venture in order to sell *JAC* coffee in overseas markets.

**Franchising (75)**

Franchising is a growth strategy that involves an agreement between a business (the franchisor) giving the legal rights to other organizations (the franchisees) to sell products under the franchisor's brand name. Liza's consideration of market development may require setting up a franchise in Fiji, Samoa and/or New Zealand in order to sell *JAC* coffee in these countries.

**Change (77)**

Change arises when factors that influence the operations of an organization do not stay the same. It can often be disruptive and unsettling, so the process must be managed carefully. John is aware that despite the uncertainties, without change there is the danger that *Utopia* may not be able to survive.

**Organizational structure (78)**

Organizational structure refers to the various ways that businesses organize their human resources. The framework for this is typically hierarchical and presented as an organizational chart, showing lines of authority (rights, duties and responsibilities) and the channels of communication within the organization. John realizes there may need to be changes to the organizational structure at *JAC* and *Utopia* as he seeks a way to rebuild his businesses.

**KEY TERMS**

**CASE STUDY: *Utopia***

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Legal ownership (78)**

Legal ownership refers to the formal type of business organization, such as sole traders, partnerships and limited liability companies. *Utopia* is currently a private limited company, with the shares completely owned by John Ariki. *JAC* is owned as a sole trader by John Ariki.

**Sources of finance (79)**

Sources of finance refers to the various methods by which an organization obtains its money. These sources can be split into internal sources (such as personal savings and retained profit) and external sources (such as bank loans, hire purchase and leasing). In an attempt to rebuild *Utopia*, John realizes he may need to consider alternative sources of finance, rather than relying on internal sources only.

**Organizational charts (80)**

An organizational chart is a diagrammatical representation of the internal structure of personnel within an organization. It shows the relationships, communication channels and hierarchical ranks of the staff. John has sketched some organizational charts that could be used at *Utopia* in its next phase of development.

**Other key terms not in the syllabus**

**Fair trade (17)**

Fair trade refers to the social movement for achieving better trading conditions for producers in less economically developed countries. It is consistent with the concept of the triple bottom line (ecological, social and economic sustainability), striving to eradicate poverty rather than putting profits before people and the planet. John Ariki prefers to source his coffee from Aora, as it has been ethically produced. Find out more about the Fair Trade movement here: [www.fairtrade.net](http://www.fairtrade.net)

**Commodity markets (19)**

A commodity market is where buyers and sellers trade primary sector products (raw materials and natural resources), such as coffee beans. The commodity markets are categorised as soft (such as coffee, cocoa, wheat and sugar) and hard (such as gold, copper and iron).

**Espresso (24)**

Espresso is a specially brewed coffee that thickens the grounded coffee beans to produce a highly concentrated drink. It is used as a base for making other popular coffee drinks such as cappuccinos, lattes, mochas and Americanos.

**KEY TERMS**

CASE STUDY: *Utopia*

For use in May 2017



Key terms in *italics* apply to *HL* students only

**Life skills (33)**

Life skills are the social and emotional skills needed to survive and thrive in life. Examples include: communication, numeracy, literacy, critical thinking, finance/budgeting, time management, social, and self-management skills. Watch this short animated video clip about 10 life skills for success: [www.youtube.com/watch?v=3B7pPArgfcA](http://www.youtube.com/watch?v=3B7pPArgfcA)

**Trafficking (37)**

Trafficking refers to the trade in something illegal. For example, the international trafficking of children very often involves stealing (kidnapping) and selling children from poor developing countries to other countries.

**Financial year (49)**

This refers to the fiscal (tax) year for business accounting purposes. It is the twelve-month period for reporting a firm's final accounts. For many firms, the financial year starts around 1<sup>st</sup> April and ends on 31<sup>st</sup> March, although this varies between companies and countries.

**Business interests (54)**

This term describes the direct involvement that a stakeholder has in a particular organization. John Ariki is the only shareholder in *Utopia* and the sole trader of *JAC*, so these two organizations represent his business interests.

**3D printing (60)**

This is the manufacturing process of making solid, physical output using digital computer technologies. Watch this short YouTube video clip to see how 3D printing work: <https://youtu.be/Vx0Z6LplaMU>



For use in May 2017

### John Ariki

- An entrepreneur who owns 100% of the shares in *Utopia* on Ratu, in the Pacific Islands
- Created original business plan for *Utopia* in 2000
- Built the first of the villas at *Utopia*
- Had 12 villas included in his original business plan
- Later revised his business plan to include 24 villas on the resort
- Insists that his villas reflect the culture of the Pacific Islands
- Relies heavily on word of mouth for marketing *Utopia*
- Deliberately resists pressure from external investors to expand his firm's capacity
- Uses JIT to obtain his ingredients from suppliers in neighbouring islands
- Passion for ethically produced fair trade coffee
- Has rejected coffee suppliers in Indonesia and Papua New Guinea, despite their promise to sell their best quality coffee at a much lower price
- Is willing to pay his coffee suppliers from Aora a much higher price than coffee prices determined by the commodity markets
- Believes 3 things form the basis of the *Utopia* brand: the beautiful location, local craftsmanship and the local food and coffee
- Is a paternalistic leader
- Opened *JAC* (café) in 2006, owned as a sole trader, selling top-quality coffee and food in nearest main town on Ratu
- Would like to educate coffee drinkers about his coffee – he uses coffee tastings, brochures and interactive displays
- Has won awards as a coffee roaster for *JAC* (which is now a famous brand)
- Was surprised by the growth of *JAC*
- Handed over daily operations of *JAC* to his twin children, Paul and Liza, in 2011
- Prefers to keep his business interests on a local level
- Created a crisis management plan and carried out contingency planning following the natural disaster in 2016
- Refused offers of help from external investors to rebuild *Utopia* (following the natural disaster in 2016); used internal sources only as outside investors would interfere with his vision for *Utopia* and *JAC*
- Believes that businesses should finance organic growth using internal sources of finance
- Realizes he needs to consider alternative revenue streams for his businesses due to the threatened long-term viability of *Utopia*
- Asked his children for advice about growth options for his businesses







For use in May 2017

- Made it clear to Paul and Liza that he would make the final decision about which growth options to pursue, and that these would not comprise the vision and social responsibility of the businesses
- Met with his children to discuss the growth options, including consideration of alternative suitable sources of finance
- Realizes that in rebuilding his businesses, it is inevitable there needs to be changes to the organizational structure and legal ownership of *Utopia* and *JAC*
- Sketched out new possible organizational charts for his businesses.

### Paul Ariki

- Aged 26 (graduated from an IB school in Australia in 2008)
- Travelled worldwide after graduating to develop his business and life skills
- Spent time in Seattle working in a youth hostel
- Became fascinated with the coffee culture in Seattle
- His business thinking was inspired by a small chain of coffee roasters and retailers as they make significant donations to charities (with the aim of eliminating human trafficking)
- Took over daily operations of *JAC* in 2011, along with his sister Liza, so his father could concentrate on *Utopia*
- Is in charge of marketing and operations at *JAC*
- Has a special interest in product development
- Always looking for ways to contribute to the local community
- Like his father, Paul prefers to keep business operations on a local level
- Is considering brand development for *Utopia* by selling customized souvenirs using 3D printing processes
- Met with his father and sister to discuss the various growth options, including consideration of alternative suitable sources of finance.

### Liza Ariki

- Aged 26 (Paul's twin)
- Took over daily operations of *JAC* in 2011, along with her brother Paul, so her father could concentrate on *Utopia*
- Is the human resource manager at *JAC*
- Is also in charge of finance at *JAC*
- Is entrepreneurial and a visionary
- Frequently looking for ways to expand the business
- Unlike her father and brother, Liza envisages business opportunities beyond a local level
- Believes *JAC* is not reaching its potential and has capacity for considerable growth
- Does not think that *JAC* is following its original business plan



For use in May 2017

- Argues that *JAC* could enter new markets around the world, selling its grounded coffee
- Concerned with her brother's idea about developing the *Utopia* brand by using 3D-printed souvenirs as customers might perceive these as inauthentic or cheap (thereby devaluing the brand)
- Prefers the idea of expanding *JAC* coffee to new markets, initially in Fiji, Samoa and New Zealand
- Used stratified sampling to get an indication that these three markets could all be profitable (with considerable profit potential in NZ)
- Concerned about the ability to deliver Aora coffee beans to new markets in a timely manner to ensure they are fresh (otherwise this could harm the reputation of *JAC*'s coffee)
- Considering possible approaches to selling / distributing coffee in these new markets through the use of a strategic alliance, joint venture or franchising
- Met her father and brother to discuss various growth options, including consideration of alternative suitable sources of finance.

### Customers

- Mainly tourists, who experience a once-in-a-lifetime holiday on Ratu
- Film stars are frequent customers
- Receive exceptional levels of comfort and service
- Rent villas at *Utopia*
- Have access to a private boat and crew to take them around the island, any time of day or night.



### Local craftsmen

- Built 23 of the 24 villas at *Utopia* using traditional materials
- Their workmanship is a major factor in *Utopia*'s success, including a key reason for the basis of the brand.

### Coffee growers (suppliers)

- *Utopia*'s suppliers are based on the island of Aora
- Suppliers in Aora receive a much higher price from John than the market price set in the commodities market
- Suppliers in Indonesia and Papua New Guinea have offered their finest coffee at a much lower price than suppliers from Aora.



For use in May 2017

Time line of *Utopia* and *JAC*

2000

- John Ariki creates business plan for *Utopia*, on the island of Ratu in the Pacific Islands
- The business plan includes 12 villas on the holiday resort
- John builds the first villa by himself



- John revises his original business plan
- John expands *Utopia* to 24 villas
- He resists pressure from external stakeholders to expand the capacity of *Utopia*
- Coffee suppliers from Indonesia and Papua New Guinea offer John their best coffee at lower prices than suppliers in Aora; John rejects these offers

2006

- John opens *JAC* as a sole trader, a café selling espresso and high-quality food in the nearest main town on Ratu
- *JAC* becomes highly successful, with John offering coffee tastings and other attractions
- *JAC* becomes an important tourist activity in the region and has become a famous brand
- *JAC* wins awards as a coffee roaster
- *JAC* distributes ground coffee in a number of neighbouring Pacific Islands

2008

- Paul Ariki graduates from an IB School in Australia
- He travels the world to develop his business and life skills
- Paul spends time in Seattle working in a youth hostel
- He becomes fascinated with Seattle's coffee culture





For use in May 2017

2011

- Surprised by the growth of *JAC*, John hands over responsibility of daily operations to his twin children
- Paul takes charge of marketing and operations at *JAC*
- Liza takes charge of finance and human resource management at *JAC*
- Paul develops a special interest in product development, and constantly looks for ways to contribute to the local community
- Liza argues that *JAC* is not reaching its full potential, given its considerable capacity for growth

2016

- Natural disaster occurs on Ratu, damaging 7 of *Utopia's* villas and destroying the other 17 villas
- The natural disaster hurts *Utopia's* positioning and threatens its long-term viability
- *Utopia* experiences a sudden and substantial decrease in bookings
- *Utopia* records its first financial loss in 16 years
- John creates a crisis management plan and carries out contingency planning based on cost, time, risks and safety
- John refuses offers of help from external investors to help rebuild *Utopia*
- The cost and time needed to rebuild *Utopia* takes longer than expected
- John realizes he needs to consider alternative revenue streams in order for his businesses to survive
- John asks his children for advice on future growth options
- Paul considers brand development and product development by selling 3D printed souvenirs
- Liza favours market development by selling *JAC* coffee in overseas markets
- Liza conducts market research using stratified sampling; the results reveal there is potential for some profits by selling *JAC* coffee in Fiji and Samoa, and considerable profit in New Zealand
- John sketched possible organizational charts for further discussion with his children





For use in May 2017

### **Week 1 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. What is the full name of the entrepreneur behind *Utopia*?
2. What has occasionally appeared on the Internet about *Utopia*?
3. How many villas does *Utopia* have?
4. Why has John refused to buy his coffee from other suppliers despite their assurance of high quality and lower prices?
5. What form of legal ownership is *JAC*?
6. How does John educate his customers about the coffee at *JAC*?
7. Did sales growth at *JAC* surpass his expectations?
8. Did Paul graduate from university?
9. Where did Paul become fascinated with coffee culture?
10. When did *Utopia* experience its first financial loss?





For use in May 2017

### **Week 1 Quiz - Answers**

Review the case study and then answer these questions (without referring to the case study).

1. What is the full name of the entrepreneur behind *Utopia*? **John Ariki**
2. What has occasionally appeared on the Internet about *Utopia*? **Video clips that have gone viral**
3. How many villas does *Utopia* have? **24**
4. Why has John refused to buy his coffee from other suppliers despite their assurance of high quality and lower prices? **He prefers the ethically produced fair trade coffee from Aora**
5. What form of legal ownership is *JAC*? **Sole trader**
6. How does John educate his customers about the coffee at *JAC*? **Tastings, brochures, interactive displays and other attractions**
7. Did sales growth at *JAC* surpass his expectations? **Yes**
8. Did Paul graduate from university? **No (not mentioned in the case study)**
9. Where did Paul become fascinated with coffee culture? **Seattle**
10. When did *Utopia* experience its first financial loss? **2016 financial year**



For use in May 2017

## **Week 2 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. What percentage of the shares does John Ariki own in *Utopia*?
2. How many villas were included in John's original business plan?
3. Suppliers from which two countries have offered to supply *Utopia* with their finest coffee at "much lower prices"?
4. Who owns *JAC*?
5. What are the names of John's children?
6. When did a natural disaster occur on Ratu?
7. Following the natural disaster that destroyed most of his villas in 2016, who did John refuse offers of help from to rebuild *Utopia*?
8. Which type of finance was used to rebuild *Utopia* following the natural disaster in 2016?
9. What did Liza suggest to John regarding the development of the *JAC* brand?
10. Did the rebuilding of *Utopia* (following the natural disaster) take longer than planned?



For use in May 2017

### **Week 2 Quiz - Answers**

1. What percentage of the shares does John Ariki own in *Utopia*? **100%**
2. How many villas were included in John's original business plan? **12**
3. Suppliers from which two countries have offered to supply *Utopia* with their finest coffee at "much lower prices"? **Indonesia and Papua New Guinea**
4. Who owns *JAC*? **John Ariki**
5. What are the names of John's children? **Paul and Liza**
6. When did a natural disaster occur on Ratu? **2016**
7. Following the natural disaster that destroyed most of his villas in 2016, who did John refuse offers of help from to rebuild *Utopia*? **External investors**
8. Which type of finance was used to rebuild *Utopia* following the natural disaster in 2016? **Internal sources of finance only**
9. What did Liza suggest to John regarding the development of the *JAC* brand? **Expansion of *JAC* coffee to other markets (starting with Fiji, Samoa and NZ)**
10. Did the rebuilding of *Utopia* (following the natural disaster) take longer than planned? **Yes**



For use in May 2017

### **Week 3 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. Who conducted market research regarding the potential to sell grounded coffee to nearby markets in the Pacific islands?
2. What 2 things will need to change at *Utopia*, regardless of which growth option John goes for?
3. What did Paul suggest to John regarding the development of the *Utopia* brand?
4. What threatened the long-term viability of *Utopia*?
5. In 2016, what did *Utopia* experience for the first time in sixteen years?
6. Who is in charge of Marketing at *JAC*?
7. Who is in charge of Finance at *JAC*?
8. What does the small coffee chain in Seattle aim to eradicate as part of its charitable work?
9. When did John pass on control of *JAC* to his children?
10. Where does *JAC* roast its coffee?



For use in May 2017

### **Week 3 Quiz - Answers**

1. Who conducted market research regarding the potential to sell grounded coffee to nearby markets in the Pacific islands? [Liza](#)
2. What 2 things will need to change at *Utopia*, regardless of which growth option John goes for? [Organizational structure and legal ownership](#)
3. What did Paul suggest to John regarding the development of the *Utopia* brand? [Customized souvenirs using 3D printing processes](#)
4. What threatened the long-term viability of *Utopia*? [The natural disaster on Ratu in 2016](#)
5. In 2016, what did *Utopia* experience for the first time in sixteen years? [Financial loss](#)
6. Who is in charge of Marketing at *JAC*? [Paul](#)
7. Who is in charge of Finance at *JAC*? [Liza](#)
8. What does the small coffee chain in Seattle aim to eradicate as part of its charitable work? [Human trafficking](#)
9. When did John pass on control of *JAC* to his children? [2011](#)
10. Where does *JAC* roast its coffee? [On site](#)



For use in May 2017

### **Week 4 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. What is the legal ownership (type of organization) of *Utopia*?
2. What level of service is offered at *Utopia*?
3. From which island does *Utopia* purchase its award-winning coffee?
4. What is John's leadership style?
5. What are the two main product categories offered at *JAC*?
6. Who did John pass on control of *JAC* to?
7. Where did Paul work in a youth hostel after he graduated from his IB studies?
8. What is Liza in charge of at *JAC*?
9. In which country did Paul study the IB?
10. What four components featured in John's crisis management plan in 2016?





For use in May 2017

### **Week 4 Quiz - Answers**

1. What is the legal ownership (type of organization) of *Utopia*? **Private limited company**
2. What level of service is offered at *Utopia*? **Exceptional (levels of comfort and service)**
3. From which island does *Utopia* purchase its award-winning coffee? **Aora**
4. What is John's leadership style? **Paternalistic**
5. What are the two main product categories offered at *JAC*? **Espresso coffee and high-quality food**
6. Who did John pass on control of *JAC* to? **Paul and Liza – his twin children**
7. Where did Paul work in a youth hostel after he graduated from his IB studies? **Seattle**
8. What is Liza in charge of at *JAC*? **Human resources and Finance**
9. In which country did Paul study the IB? **Australia**
10. What four components featured in John's crisis management plan in 2016? **Cost, time, risks and safety**



For use in May 2017

### **Week 5 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. Where is the holiday resort *Utopia* located?
2. What profession do the 'frequent visitors' to *Utopia* have?
3. When was *Utopia* founded?
4. What production method is used by *Utopia* to obtain the ingredients for its meals served at the villas?
5. When did John open his café, *JAC*?
6. What is the relationship between Paul and Liza?
7. What two functions is Paul in charge of at *JAC*?
8. Which of John's children is described as a visionary and entrepreneurial?
9. Although John sought the advice of his children to help rebuild the *Utopia* brand, what two things would not be comprised in the growth options that were discussed?
10. How much money would be needed for the purchase of the 3D printing equipment?



For use in May 2017

### **Week 5 Quiz - Answers**

1. Where is the holiday resort *Utopia* located? **Ratu, in the Pacific Islands**
2. What profession do the 'frequent visitors' to *Utopia* have? **Film stars (actors)**
3. When was *Utopia* founded? **2000**
4. What production method is used by *Utopia* to obtain the ingredients for its meals served at the villas? **Just-in-time (JIT) from neighbouring islands**
5. When did John open his café, *JAC*? **2006**
6. What is the relationship between Paul and Liza? **They are twins**
7. What two functions is Paul in charge of at *JAC*? **Marketing and Operations**
8. Which of John's children is described as a visionary and entrepreneurial? **Liza**
9. Although John sought the advice of his children to help rebuild the *Utopia* brand, what two things would not be comprised in the growth options that were discussed? **The vision for *Utopia* and its CSR**
10. How much money would be needed for the purchase of the 3D printing equipment?  
**\$10,000**



For use in May 2017

### **Week 6 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. What are the names of John's two business interests?
2. What does John think his villas reflect/represent?
3. Is *Utopia* market orientated or product orientated?
4. What has *JAC* won awards for?
5. What are Paul's special interests in at *JAC*?
6. Who is in charge of Operations at *JAC*?
7. How many of the villas could be continued to be rented to customers following the natural disaster in 2016?
8. Who is considering a brand development strategy?
9. Which three countries does Liza think *JAC* coffee should be sold to initially as part of her plan to sell beyond the island of Ratu?
10. Which three growth strategies could be used to sell and distribute *JAC* coffee in overseas markets?



For use in May 2017

### **Week 6 Quiz - Answers**

1. What are the names of John's two business interests? *Utopia and JAC*
2. What does John think his villas reflect/represent? *The culture of the Pacific Islands*
3. Is *Utopia* market orientated or product orientated? *Product orientated*
4. What has *JAC* won awards for? *Coffee roaster*
5. What are Paul's special interests in at *JAC*? *Product development and ways to contribute to the local community*
6. Who is in charge of Operations at *JAC*? *Paul*
7. How many of the villas could be continued to be rented to customers following the natural disaster in 2016? *7 (even though they were damaged)*
8. Who is considering a brand development strategy? *Paul – by selling souvenirs made via 3D printing*
9. Which three countries does Liza think *JAC* coffee should be sold to initially as part of her plan to sell beyond the island of Ratu? *Fiji, Samoa and NZ*
10. Which three growth strategies could be used to sell and distribute *JAC* coffee in overseas markets? *Strategic alliance, joint venture and franchising*



For use in May 2017

### **Week 7 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. Where is the island of Ratu located?
2. According to John, what 3 things create the basis for the *Utopia* brand?
3. What has *JAC* began to do with its coffee beans from Aora?
4. Was Paul interested in the business thinking of large multinational coffee chains?
5. Which of John's children is always looking for ways to contribute to the local community?
6. Why did *Utopia* experience a sudden and substantial decrease in bookings?
7. Why does John not like to use external investors for financing *Utopia* and *JAC*?
8. Who imagines business opportunities beyond a local level?
9. Would the gross profit margins on the proposed customized souvenirs be high or low?
10. Did the cost of rebuilding *Utopia* (following the natural disaster) amount to more than planned?





For use in May 2017

### **Week 7 Quiz - Answers**

1. Where is the island of Ratu located? **In the Pacific Islands**
2. According to John, what 3 things create the basis for the *Utopia* brand? **The beautiful location, the local craftsmanship, and the local food & coffee**
3. What has *JAC* began to do with its coffee beans from Aora? **Distribute its ground coffee to neighbouring islands**
4. Was Paul interested in the business thinking of large multinational coffee chains? **No, he was inspired by a small coffee chain that makes significant donations to charities**
5. Which of John's children is always looking for ways to contribute to the local community? **Paul**
6. Why did *Utopia* experience a sudden and substantial decrease in bookings? **The natural disaster on Ratu in 2016**
7. Why does John not like to use external investors for financing *Utopia* and *JAC*? **He feels they will interfere with his business operations**
8. Who imagines business opportunities beyond a local level? **Liza**
9. Would the gross profit margins on the proposed customized souvenirs be high or low? **High**
10. Did the cost of rebuilding *Utopia* (following the natural disaster) amount to more than planned? **Yes**



For use in May 2017

### **Week 8 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. If *Utopia* gains experience with 3D printing of souvenirs, what might this lead to?
2. After John met with Liza and Paul, what decision was made about sources of finance to rebuild *Utopia*?
3. Which of John's children prefers *JAC* to expand to overseas markets?
4. What type of sampling method did Liza use as part of her market research?
5. Which two developments have made 3D printing processes a possibility for *Utopia*?
6. Does John believe in the use of external sources of finance to fund *Utopia's* operations?
7. How many villas were destroyed in the natural disaster on Ratu in 2016?
8. Where did Paul travel in order to develop his business and life skills after graduating from his IB School?
9. Who is always looking for new ways to expand *JAC*?
10. What inspired John to open his café in 2006?



For use in May 2017

### **Week 8 Quiz - Answers**

1. If *Utopia* gains experience with 3D printing of souvenirs, what might this lead to? [More opportunities for John's business operations](#)
2. After John met with Liza and Paul, what decision was made about sources of finance to rebuild *Utopia*? [Alternative \(not just internal\) sources of finance should also be considered](#)
3. Which of John's children prefers *JAC* to expand to overseas markets? [Liza](#)
4. What type of sampling method did Liza use as part of her market research? [Stratified sampling](#)
5. Which two developments have made 3D printing processes a possibility for *Utopia*? [Improved internet connections and technology](#)
6. Does John believe in the use of external sources of finance to fund *Utopia's* operations? [No](#)
7. How many villas were destroyed in the natural disaster on Ratu in 2016? [17 \(7 were damaged\)](#)
8. Where did Paul travel in order to develop his business and life skills after graduating from his IB School? [Worldwide](#)
9. Who is always looking for new ways to expand *JAC*? [Liza](#)
10. What inspired John to open his café in 2006? [The success of Aora coffee served at \*Utopia\*](#)



For use in May 2017

### **Week 9 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. Who is the human resource manager at *JAC*?
2. Which two people believe in business opportunities at a local level?
3. What is Liza's main concern about distributing coffee to Fiji, Samoa and NZ?
4. In which country does Liza's market research reveal that "considerable profits" could be earned?
5. Has the 3D printing service (for the souvenirs) been tested?
6. Is *JAC* a famous brand on the island of Ratu?
7. Who built the first villa at *Utopia*?
8. What service does *Utopia* offer to its clients?
9. Who is considering a market development strategy?
10. What have external stakeholders been pressurizing John to do?



For use in May 2017

### **Week 9 Quiz - Answers**

1. Who is the human resources manager at *JAC*? **Liza**
2. Which two people believe in business opportunities at a local level? **Paul and John**
3. What is Liza's main concern about distributing coffee to Fiji, Samoa and NZ? **Being able to deliver these overseas in a timely manner to keep the coffee fresh**
4. In which country does Liza's market research reveal that "considerable profits" could be earned? **New Zealand**
5. Has the 3D printing service (for the souvenirs) been tested? **No; it is an untested service**
6. Is *JAC* a famous brand on the island of Ratu? **Yes, it "has become an important tourist activity in the region"**
7. Who built the first villa at *Utopia*? **John Ariki**
8. What service does *Utopia* offer to its clients? **"once-in-a-lifetime tourist experience" / a unique experience in the Pacific Islands**
9. Who is considering a market development strategy? **Liza – by selling grounded coffee to customers in nearby (Pacific) islands**
10. What have external stakeholders been pressurizing John to do? **Expand *Utopia's* capacity**



For use in May 2017

### **Week 10 Quiz**

Review the case study and then answer these questions (without referring to the case study).

1. What is so “exceptional” or “unique” about *Utopia’s* service?
2. What form of promotion does *Utopia* rely on?
3. What was used to build the villas at *Utopia*?
4. Is *JAC* located by the beach, near *Utopia*?
5. Why did John pass on the day-to-day control of *JAC* to his children?
6. How many villas were damaged in the natural disaster on Ratu in 2016?
7. Why is Liza against Paul’s idea to sell *Utopia* souvenirs using a 3D printing process?
8. What did Liza’s market research reveal about the profit potential in Fiji and Samoa?
9. What type of costs would be incurred if *Utopia* opts to use a 3D printing service?
10. What did John sketch out as new possibilities whilst talking to Paul and Liza about growth options?





For use in May 2017

### **Week 10 Quiz - Answers**

1. What is so “exceptional” or “unique” about *Utopia’s* service? **Private transport around the island via boat, any time**
2. What form of promotion does *Utopia* rely on? **Word of mouth**
3. What was used to build the villas at *Utopia*? **Traditional materials**
4. Is *JAC* located by the beach, near *Utopia*? **No, it is in the nearest town on Ratu**
5. Why did John pass on the day-to-day control of *JAC* to his children? **To concentrate on *Utopia***
6. How many villas were damaged in the natural disaster on Ratu in 2016? **7 (17 were destroyed)**
7. Why is Liza against Paul’s idea to sell *Utopia* souvenirs using a 3D printing process? **She fears it will cheapen the brand as some people might perceive the souvenirs to be inauthentic**
8. What did Liza’s market research reveal about the profit potential in Fiji and Samoa? **Some profit potential**
9. What type of costs would be incurred if *Utopia* opts to use a 3D printing service? **Fixed costs**
10. What did John sketch out as new possibilities whilst talking to Paul and Liza about growth options? **Organization charts**



For use in May 2017

**True or False – Quiz 1**

	<b>True / False</b>
1. <i>Utopia</i> is a public limited company.	
2. John Ariki built the first batch of villas by himself whilst local craftsmen built the second batch.	
3. John has deliberately resisted pressure from external stakeholders to expand the capacity of <i>Utopia</i> .	
4. John owns <i>JAC</i> as a sole trader.	
5. <i>JAC</i> is product orientated.	
6. John Ariki was pleasantly surprised by the growth of <i>JAC</i> .	
7. Paul is the human resource manager at <i>JAC</i> .	
8. Like her father, Liza is entrepreneurial.	
9. The finest coffee suppliers from Indonesia and Papua New Guinea can offer <i>JAC</i> much lower prices than those in Aora.	
10. The 3D printing service is untested.	



For use in May 2017

**True or False – Quiz 1 (Answers)**

	<b>True / False</b>
1. <i>Utopia</i> is a public limited company. <b>It is a private limited company</b>	<b>F</b>
2. John Ariki built the first batch of villas by himself whilst local craftsmen built the second batch. <b>He only built the very first villa himself</b>	<b>F</b>
3. John has deliberately resisted pressure from external stakeholders to expand the capacity of <i>Utopia</i> .	<b>T</b>
4. John owns <i>JAC</i> as a sole trader.	<b>T</b>
5. <i>JAC</i> is product orientated.	<b>T</b>
6. John Ariki was pleasantly surprised by the growth of <i>JAC</i> .	<b>T</b>
7. Paul is the human resource manager at <i>JAC</i> . <b>This is Liza's role</b>	<b>F</b>
8. Like her father, Liza is entrepreneurial.	<b>T</b>
9. The finest coffee suppliers from Indonesia and Papua New Guinea can offer <i>JAC</i> much lower prices than those in Aora.	<b>T</b>
10. The 3D printing service is untested.	<b>T</b>



For use in May 2017

**True or False – Quiz 2**

	<b>True / False</b>
1. John Ariki owns 100% of the shares in <i>Utopia</i> .	
2. The original business plan was created in 2006.	
3. John thinks his villas at <i>Utopia</i> reflect the local culture and that of the Pacific Islands.	
4. John has a passion for ethically produced fair trade coffee.	
5. <i>JAC</i> coffee is roasted on site to enhance the drinking experience.	
6. Paul is in charge of marketing at <i>JAC</i> .	
7. Paul is always looking for new ways to contribute to his local community.	
8. <i>JAC</i> has considerable brand loyalty.	
9. Liza is in agreement with Paul's idea to develop the <i>Utopia</i> brand by producing and selling souvenirs using 3D printing processes.	
10. John considered cost, time, risk and safety in his contingency planning.	



For use in May 2017

**True or False – Quiz 2 (Answers)**

	<b>True / False</b>
1. John Ariki owns 100% of the shares in <i>Utopia</i> .	<b>T</b>
2. The original business plan was created in 2006. <i>It was created in 2000</i>	<b>F</b>
3. John thinks his villas at <i>Utopia</i> reflect the local culture and that of the Pacific Islands.	<b>T</b>
4. John has a passion for ethically produced fair trade coffee.	<b>T</b>
5. <i>JAC</i> coffee is roasted on site to enhance the drinking experience.	<b>T</b>
6. Paul is in charge of marketing at <i>JAC</i> .	<b>T</b>
7. Paul is always looking for new ways to contribute to his local community.	<b>T</b>
8. <i>JAC</i> has considerable brand loyalty.	<b>T</b>
9. Liza is in agreement with Paul’s idea to develop the <i>Utopia</i> brand by producing and selling souvenirs using 3D printing processes. <i>She is concerned customers will perceive these souvenirs to cheapen the brand</i>	<b>F</b>
10. John considered cost, time, risk and safety in his contingency planning.	<b>T</b>



For use in May 2017

**True or False – Quiz 3**

	<b>True / False</b>
1. Improved technologies and internet connections have made 3D printing a more viable option for businesses.	
2. <i>Utopia</i> is a holiday resort located on the island of Ratu.	
3. On several occasions, <i>Utopia</i> has appeared on the internet after video clips went viral.	
4. John is a paternalistic leader.	
5. John purchases the coffee beans used at <i>JAC</i> from a number of neighbouring Pacific Islands.	
6. Paul Ariki is in charge of operations management.	
7. Seven of <i>Utopia's</i> villas were destroyed following the natural disaster on the island of Ratu.	
8. Liza Ariki favours a move to expand the sale of <i>JAC</i> coffee by entering new markets.	
9. Liza is concerned about the challenge in selling and distributing <i>JAC</i> coffee in a timely manner without losing the freshness of the coffee.	
10. Rebuilding <i>Utopia</i> in 2016 cost a lot more than expected.	





For use in May 2017

**True or False – Quiz 3 (Answers)**

	<b>True / False</b>
1. Improved technologies and internet connections have made 3D printing a more viable option for businesses.	<b>T</b>
2. <i>Utopia</i> is a holiday resort located on the island of Ratu.	<b>T</b>
3. On several occasions, <i>Utopia</i> has appeared on the internet after video clips went viral.	<b>T</b>
4. John is a paternalistic leader.	<b>T</b>
5. John purchases the coffee beans used at <i>JAC</i> from a number of neighbouring Pacific Islands. <b>He only buys these from Aora</b>	<b>F</b>
6. Paul Ariki is in charge of operations management.	<b>T</b>
7. Seven of <i>Utopia's</i> villas were destroyed following the natural disaster on the island of Ratu. <b>Seven were damaged, the other 17 were destroyed</b>	<b>F</b>
8. Liza Ariki favours a move to expand the sale of <i>JAC</i> coffee by entering new markets.	<b>T</b>
9. Liza is concerned about the challenge in selling and distributing <i>JAC</i> coffee in a timely manner without losing the freshness of the coffee.	<b>T</b>
10. Rebuilding <i>Utopia</i> in 2016 cost a lot more than expected.	<b>T</b>



For use in May 2017

**True or False – Quiz 4**

	<b>True / False</b>
1. <i>JAC</i> would encounter external factors in creating new distribution channels in overseas markets.	
2. John Ariki opened his café, <i>JAC</i> , in 2011.	
3. <i>JAC</i> 's coffee is sourced from the neighbouring island of Aora.	
4. <i>JAC</i> is market orientated.	
5. <i>JAC</i> has become an important tourist attraction on the island of Ratu.	
6. Paul Ariki travelled the world to develop his business and life skills.	
7. Liza Ariki is constantly looking for new ways to develop <i>JAC</i> .	
8. John only used internal sources of finance for rebuilding <i>Utopia</i> after the natural disaster.	
9. Liza's market research suggests there will be considerable profits by selling <i>JAC</i> coffee to Samoa, Fiji and New Zealand.	
10. Before the natural disaster on Ratu, <i>Utopia</i> had never experienced a financial loss.	



For use in May 2017

**True or False – Quiz 4 (Answers)**

	True / False
1. <i>JAC</i> would encounter external factors in creating new distribution channels in overseas markets.	<b>T</b>
2. John Ariki opened his café, <i>JAC</i> , in 2011. <b>2006</b>	<b>F</b>
3. <i>JAC</i> 's coffee is sourced from the neighbouring island of Aora.	<b>T</b>
4. <i>JAC</i> is market orientated. <b>It is product orientated</b>	<b>F</b>
5. <i>JAC</i> has become an important tourist attraction on the island of Ratu.	<b>T</b>
6. Paul Ariki travelled the world to develop his business and life skills.	<b>T</b>
7. Liza Ariki is constantly looking for new ways to develop <i>JAC</i> .	<b>T</b>
8. John only used internal sources of finance for rebuilding <i>Utopia</i> after the natural disaster.	<b>T</b>
9. Liza's market research suggests there will be considerable profits by selling <i>JAC</i> coffee to Samoa, Fiji and New Zealand. <b>Only in NZ (there is some profit potential in Fiji and Samoa)</b>	<b>F</b>
10. Before the natural disaster on Ratu, <i>Utopia</i> had never experienced a financial loss.	<b>T</b>



For use in May 2017

**True or False – Quiz 5**

	<b>True / False</b>
1. Film stars are frequent visitors to <i>Utopia</i> .	
2. Guests rent villas at <i>Utopia</i> .	
3. John Ariki's original business plan included 24 villas.	
4. John owns <i>Utopia</i> as a sole trader.	
5. <i>JAC</i> has won awards as a coffee roaster.	
6. Paul is described as a visionary because of his business skills.	
7. The natural disaster threatened the long-term survival of <i>Utopia</i> .	
8. Liza Ariki used stratified sampling as part of her research into selling <i>JAC</i> coffee in overseas markets.	
9. Despite the fixed costs of 3D printing, the profit margins are high.	
10. John has sketched out new organizational charts for consideration.	



For use in May 2017

**True or False – Quiz 5 (Answers)**

	<b>True / False</b>
1. Film stars are frequent visitors to <i>Utopia</i> .	<b>T</b>
2. Guests rent villas at <i>Utopia</i> .	<b>T</b>
3. John Ariki's original business plan included 24 villas. <b>Only 12</b>	<b>F</b>
4. John owns <i>Utopia</i> as a sole trader. <b><i>Utopia</i> is a private limited company</b>	<b>F</b>
5. <i>JAC</i> has won awards as a coffee roaster.	<b>T</b>
6. Paul is described as a visionary because of his business skills. <b>It is Liza who is described as being a visionary</b>	<b>F</b>
7. The natural disaster threatened the long-term survival of <i>Utopia</i> .	<b>T</b>
8. Liza Ariki used stratified sampling as part of her research into selling <i>JAC</i> coffee in overseas markets.	<b>T</b>
9. Despite the fixed costs of 3D printing, the profit margins are high.	<b>T</b>
10. John has sketched out new organizational charts for consideration.	<b>T</b>



For use in May 2017

**True or False – Quiz 6**

	<b>True / False</b>
1. John realises the legal ownership of <i>JAC</i> and <i>Utopia</i> will need to change, irrespective of the growth option he chooses.	
2. Rebuilding <i>Utopia</i> in 2016 took longer than expected.	
3. Possible approaches to selling <i>JAC</i> coffee in overseas markets include a franchise, strategic alliance or joint venture.	
4. The profit margins would be high for the proposed souvenirs made using 3D printing.	
5. A natural disaster occurred on Ratu in 2015.	
6. <i>JAC</i> has become a famous brand on the island of Ratu.	
7. John has rejected offers from high-quality coffee suppliers in Indonesia and the Philippines.	
8. Local craftsmen built the villas using materials sourced from neighbouring Pacific Islands.	
9. <i>Utopia</i> offers customers a once-in-a-lifetime experience.	
10. John offers coffee tastings at <i>JAC</i> .	



For use in May 2017

**True or False – Quiz 6 (Answers)**

	<b>True / False</b>
1. John realises the legal ownership of <i>JAC</i> and <i>Utopia</i> will need to change, irrespective of the growth option he chooses.	<b>T</b>
2. Rebuilding <i>Utopia</i> in 2016 took longer than expected.	<b>T</b>
3. Possible approaches to selling <i>JAC</i> coffee in overseas markets include a franchise, strategic alliance or joint venture.	<b>T</b>
4. The profit margins would be high for the proposed souvenirs made using 3D printing.	<b>T</b>
5. A natural disaster occurred on Ratu in 2015. <a href="#">2016</a>	<b>F</b>
6. <i>JAC</i> has become a famous brand on the island of Ratu.	<b>T</b>
7. John has rejected offers from high-quality coffee suppliers in Indonesia and the Philippines. <a href="#">Indonesia and Papua New Guinea</a>	<b>F</b>
8. Local craftsmen built the villas using materials sourced from neighbouring Pacific Islands. <a href="#">They used local materials</a>	<b>F</b>
9. <i>Utopia</i> offers customers a once-in-a-lifetime experience.	<b>T</b>
10. John offers coffee tastings at <i>JAC</i> .	<b>T</b>





For use in May 2017

**True or False – Quiz 7**

	<b>True / False</b>
1. <i>Utopia</i> offers exceptional levels of comfort and service.	
2. John Ariki's revised business plan included 12 additional villas.	
3. John believes the beautiful location, local craftsmanship and quality of his local food and coffee are the basis of the <i>Utopia</i> brand.	
4. <i>JAC</i> distributes its coffee to a number of neighbouring Pacific Islands.	
5. Paul Ariki worked in a small coffee chain in Seattle.	
6. Liza believes there is huge potential for <i>JAC</i> to grow in new markets.	
7. Paul is considering the use of 3D printing processes to make souvenirs to develop the <i>Utopia</i> brand and to raise revenues.	
8. John feels that external investors will interfere with his vision for <i>Utopia</i> and <i>JAC</i> .	
9. Customers were not able to rent any of the villas following the natural disaster on Ratu in 2016.	
10. It would cost \$100,000 to invest in the 3D printing process to develop the <i>Utopia</i> brand.	



For use in May 2017

**True or False – Quiz 7 (Answers)**

	<b>True / False</b>
1. <i>Utopia</i> offers exceptional levels of comfort and service.	<b>T</b>
2. John Ariki's revised business plan included 12 additional villas.	<b>T</b>
3. John believes the beautiful location, local craftsmanship and quality of his local food and coffee are the basis of the <i>Utopia</i> brand.	<b>T</b>
4. <i>JAC</i> distributes its coffee to a number of neighbouring Pacific Islands.	<b>T</b>
5. Paul Ariki worked in a small coffee chain in Seattle. He worked at a youth hostel	<b>F</b>
6. Liza believes there is huge potential for <i>JAC</i> to grow in new markets.	<b>T</b>
7. Paul is considering the use of 3D printing processes to make souvenirs to develop the <i>Utopia</i> brand and to raise revenues.	<b>T</b>
8. John feels that external investors will interfere with his vision for <i>Utopia</i> and <i>JAC</i> .	<b>T</b>
9. Customers were not able to rent any of the villas following the natural disaster on Ratu in 2016. They could continue to rent the seven villas that remained, albeit damaged	<b>F</b>
10. It would cost \$100,000 to invest in the 3D printing process to develop the <i>Utopia</i> brand. It would cost \$10,000	<b>F</b>



For use in May 2017

**True or False – Quiz 8**

	<b>True / False</b>
1. <i>Utopia</i> offers a private boat service and accompany crew for an additional charge as part of its elite service.	
2. John Ariki believes that local craftsmanship is a major reason for the success of <i>Utopia</i> .	
3. <i>JAC</i> is located next to <i>Utopia</i> .	
4. Paul and Liza took over ownership of <i>JAC</i> in 2011.	
5. Liza Ariki has a special interest in product development.	
6. John created a crisis management plan following the natural disaster in 2016.	
7. <i>Utopia</i> experienced a sudden and substantial fall in bookings after the natural disaster.	
8. John met with his two children to discuss the growth options for his businesses.	
9. Liza Ariki believes in looking beyond the local community to develop <i>JAC</i> .	
10. John likes to educate his coffee-drinking customers at <i>JAC</i> .	



For use in May 2017

**True or False – Quiz 8 (Answers)**

	<b>True / False</b>
1. <i>Utopia</i> offers a private boat service and accompany crew for an additional charge as part of its elite service. <b>All customer receive this service</b>	<b>F</b>
2. John Ariki believes that local craftsmanship is a major reason for the success of <i>Utopia</i> .	<b>T</b>
3. <i>JAC</i> is located next to <i>Utopia</i> . <b>It is located in the nearest main town</b>	<b>F</b>
4. Paul and Liza took over ownership of <i>JAC</i> in 2011. <b>They took over daily operations of the café</b>	<b>F</b>
5. Liza Ariki has a special interest in product development. <b>Paul does</b>	<b>F</b>
6. John created a crisis management plan following the natural disaster in 2016.	<b>T</b>
7. <i>Utopia</i> experienced a sudden and substantial fall in bookings after the natural disaster.	<b>T</b>
8. John met with his two children to discuss the growth options for his businesses.	<b>T</b>
9. Liza Ariki believes in looking beyond the local community to develop <i>JAC</i> .	<b>T</b>
10. John likes to educate his coffee-drinking customers at <i>JAC</i> .	<b>T</b>



For use in May 2017

**True or False – Quiz 9**

	<b>True / False</b>
1. <i>Utopia</i> offers a unique service of a private boat with a crew on stand-by (on call) all day and night.	
2. The ingredients for <i>Utopia's</i> food and coffee are sourced from neighbouring islands.	
3. John owns <i>JAC</i> as a partnership with his twin children, Paul and Liza.	
4. Paul Ariki graduated from an IB school in 2008.	
5. John refused financial help from external investors to rebuild <i>Utopia</i> after the natural disaster in 2016.	
6. John is a laissez-faire leader as he delegates all responsibility of <i>JAC</i> to his two children.	
7. John knows he needs to change the organizational structure of <i>JAC</i> and <i>Utopia</i> , regardless of the growth option he chooses.	
8. Paul' business thinking was inspired by a large multinational coffee chain based in Seattle.	
9. The island of Aora supplies its award-winning coffee to <i>JAC</i> .	
10. The original business plan included 12 villas at <i>Utopia</i> .	



For use in May 2017

**True or False – Quiz 9 (Answers)**

	<b>True / False</b>
1. <i>Utopia</i> offers a unique service of a private boat with a crew on stand-by (on call) all day and night.	<b>T</b>
2. The ingredients for <i>Utopia's</i> food and coffee are sourced from neighbouring islands.	<b>T</b>
3. John owns <i>JAC</i> as a partnership with his twin children, Paul and Liza. He owns it as a sole trader	<b>F</b>
4. Paul Ariki graduated from an IB school in 2008.	<b>T</b>
5. John refused financial help from external investors to rebuild <i>Utopia</i> after the natural disaster in 2016.	<b>T</b>
6. John is a laissez-faire leader as he delegates all responsibility of <i>JAC</i> to his two children. He is paternalistic	<b>F</b>
7. John knows he needs to change the organizational structure of <i>JAC</i> and <i>Utopia</i> , regardless of the growth option he chooses.	<b>T</b>
8. Paul' business thinking was inspired by a large multinational coffee chain based in Seattle. He was not interested in this chain, but a smaller chain of coffee roasters with its emphasis on helping to stop human trafficking	<b>F</b>
9. The island of Aora supplies its award-winning coffee to <i>JAC</i> .	<b>T</b>
10. The original business plan included 12 villas at <i>Utopia</i> .	<b>T</b>



For use in May 2017

**True or False – Quiz 10**

	<b>True / False</b>
1. <i>Utopia</i> relies very heavily on word of mouth promotion.	
2. <i>Utopia</i> uses a just-in-case stock control system in its restaurants.	
3. John is willing to pay coffee suppliers from Aora much higher prices than those determined in commodity markets.	
4. No food is sold at <i>JAC</i> – only the high-quality Aora coffee.	
5. Paul is two years older than his sister Liza.	
6. Paul graduated from an IB school having studied in Austria.	
7. Liza is in charge of the finances at <i>Utopia</i> .	
8. <i>Utopia</i> recorded its first financial loss in the 2016 fiscal year.	
9. Liza Ariki believes that <i>JAC</i> coffee could be successfully sold around the world.	
10. John believes that organic growth should be financed by using internal sources of finance only.	



For use in May 2017

**True or False – Quiz 10 (Answers)**

	<b>True / False</b>
1. <i>Utopia</i> relies very heavily on word of mouth promotion.	<b>T</b>
2. <i>Utopia</i> uses a just-in-case stock control system in its restaurants. <b>It does not have restaurants – the meals are served in the villas on a JIT basis</b>	<b>F</b>
3. John is willing to pay coffee suppliers from Aora much higher prices than those determined in commodity markets.	<b>T</b>
4. No food is sold at <i>JAC</i> – only the high-quality Aora coffee. <b>High-quality food is also offered</b>	<b>F</b>
5. Paul is two years older than his sister Liza. <b>They are twins</b>	<b>F</b>
6. Paul graduated from an IB school having studied in Austria. <b>He studied in Australia</b>	<b>F</b>
7. Liza is in charge of the finances at <i>Utopia</i> . <b>She is in charge of finances at <i>JAC</i></b>	<b>F</b>
8. <i>Utopia</i> recorded its first financial loss in the 2016 fiscal year.	<b>T</b>
9. Liza Ariki believes that <i>JAC</i> coffee could be successfully sold around the world.	<b>T</b>
10. John believes that organic growth should be financed by using internal sources of finance only.	<b>T</b>





For use in May 2017

### Wordle Quiz 1



1. Written document detailing how an organization sets out to achieve its objectives and strategies.
2. A person who bears the financial risks of starting and managing a new business or a commercial venture.
3. Individuals or organizations that are not part of the business but have a direct interest in its operations, e.g. customers, suppliers and outside investors.
4. External method of growth involving two or more businesses pooling resources together to establish a new legal entity.
5. Diagrammatical representation of the internal structure of workers within an organization.
6. Someone who treats workers as if they were family members by guiding them through a process of consultation.
7. A growth strategy in Ansoff's matrix that involves *Utopia* trying to create new goods and services targeted at its existing markets.
8. The surplus left from sales revenue after production costs have been deducted.
9. The income coming into an organization from a particular business activity over a period of time.
10. A statement of where the business ultimately aspires to be.



For use in May 2017

### Wordle Quiz 1 - Answers



1. Written document detailing how an organization sets out to achieve its objectives and strategies. [Business plan](#)
2. A person who bears the financial risks of starting and managing a new business or a commercial venture. [Entrepreneur](#)
3. Individuals or organizations that are not part of the business but have a direct interest in its operations, e.g. customers, suppliers and outside investors. [External stakeholders](#)
4. External method of growth involving two or more businesses pooling resources together to establish a new legal entity. [Joint venture](#)
5. Diagrammatical representation of the internal structure of workers within an organization. [Organizational chart](#)
6. Someone who treats workers as if they were family members by guiding them through a process of consultation. [Paternalistic leader](#)
7. A growth strategy in Ansoff's matrix that involves *Utopia* trying to create new goods and services targeted at its existing markets. [Product development](#)
8. The surplus left from sales revenue after production costs have been deducted. [Profit](#)
9. The income coming into an organization from a particular business activity over a period of time. [Revenue stream](#)
10. A statement of where the business ultimately aspires to be. [Vision](#)



For use in May 2017

## Wordle Quiz 2



1. The individual in charge of the personnel roles and functions in an organization.
2. An organization that operates in two or more countries, with its headquarters typically based in the country of origin.
3. A merchant or vendor that sells goods and services directly to consumers, usually in small quantities rather than to other business customers.
4. The maximum output of an organization, per period of time, based on the ability of the business to use its resources to produce goods and services.
5. Measures the proportion of gross profit generated from the sales revenue of a business.
6. Circumstances in the external business environment that create a chance or opening for further progress.
7. Spending by a business on acquiring, maintaining and/or upgrading fixed assets.
8. Process of gathering and interpreting information regarding the thinking patterns and buying habits of customers.
9. A form of external growth, involving two or more companies working together on a particular project but remaining separate legal entities.
10. Growth strategy that involves an agreement between a business giving the legal rights to other organizations to sell products under its brand name.



For use in May 2017

## Wordle Quiz 2 - Answers



1. The individual in charge of the personnel roles and functions in an organization. **Human resource manager**
2. An organization that operates in two or more countries, with its headquarters typically based in the country of origin. **Multinational**
3. A merchant or vendor that sells goods and services directly to consumers, usually in small quantities rather than to other business customers. **Retailer**
4. The maximum output of an organization, per period of time, based on the ability of the business to use its resources to produce goods and services. **Capacity**
5. Measures the proportion of gross profit generated from the sales revenue of a business. **Gross profit margin**
6. Circumstances in the external business environment that create a chance or opening for further progress. **Opportunities**
7. Spending by a business on acquiring, maintaining and/or upgrading fixed assets. **Capital expenditure**
8. Process of gathering and interpreting information regarding the thinking patterns and buying habits of customers. **Market research**
9. A form of external growth, involving two or more companies working together on a particular project but remaining separate legal entities. **Strategic alliance**
10. Growth strategy that involves an agreement between a business giving the legal rights to other organizations to sell products under its brand name. **Franchising**



For use in May 2017

### Wordle Quiz 3



1. The various methods by which an organization gets its money, e.g. retained profit, bank loans or hire purchase.
2. The formal or legal structure of a business organization, e.g. a sole trader or limited liability company.
3. The various ways that businesses organize their human resources, typically hierarchical and presented as a chart.
4. This arises when factors that influence the operations of an organization do not stay the same. It can often be disruptive and unsettling, yet is vital for survival.
5. The collective term for the four choices for business expansion, according to Ansoff.
6. Aspects that are beyond the control of the organization itself, yet have a direct impact on its operations and performance.
7. How the final good or service passes from the producer to the end user.
8. The collective groups of existing and potential buyers and sellers of a particular good or a service.
9. The growth of a business due to an increase in the size of the organization and/or the industry in which it operates.
10. Distinguishing name of a product or organization which, as an intangible asset, differentiates it from competing products and firms in the market.



For use in May 2017

### Wordle Quiz 3 - Answers



1. The various methods by which an organization gets its money, e.g. retained profit, bank loans or hire purchase. [Sources of finance](#)
2. The formal or legal structure of a business organization, e.g. a sole trader or limited liability company. [Legal ownership](#)
3. The various ways that businesses organize their human resources, typically hierarchical and presented as a chart. [Organizational structure](#)
4. This arises when factors that influence the operations of an organization do not stay the same. It can often be disruptive and unsettling, yet is vital for survival. [Change](#)
5. The collective term for the four choices for business expansion, according to Ansoff. [Growth options](#)
6. Aspects that are beyond the control of the organization itself, yet have a direct impact on its operations and performance. [External factors](#)
7. How the final good or service passes from the producer to the end user. [Distribution channels](#)
8. The collective groups of existing and potential buyers and sellers of a particular good or a service. [Markets](#)
9. The growth of a business due to an increase in the size of the organization and/or the industry in which it operates. [Expansion](#)
10. Distinguishing name of a product or organization which, as an intangible asset, differentiates it from competing products and firms in the market. [Brand](#)







For use in May 2017

### Wordle Quiz 4 - Answers



1. Business expenditure that does not change with the level of output or sales. [Fixed costs](#)
2. Production method used to make unique or one-off orders for the specific requirements of each customer. [Customized production](#)
3. Marketing activities and processes to improve customers' knowledge and perceptions of a particular brand. [Brand development](#)
4. Accountable and principled business behaviour towards its stakeholders. [Social responsibility](#)
5. Analytical tool based on the knowledge and perceptions of customers about a particular organization, its products and/or its brands. [Positioning](#)
6. External factor that hinders the operations and profitability of an organization, e.g. a natural disaster. [Threat](#)
7. Methods by which an organization funds its operations without the use of a third-party. [Internal sources of finance](#)
8. External stakeholders who provide finance to an organization. [External investors](#)
9. Expansion of a business by using its own resources to increase the scale of its operations. [Internal growth](#)
10. Policies and procedures designed to deal with an emergency to ensure the continuity of the business. [Contingency planning](#)





For use in May 2017

### Wordle Quiz 5



1. The strategies used by a firm when faced with a sudden and unexpected emergency.
2. Occurs when the money a firm earns is insufficient to pay for its production costs.
3. External stakeholders who purchase the goods or services from a business.
4. The degree to which customers consistently repurchase the same brand of a product rather than buying from rival firms.
5. A decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers.
6. The expansion of a business due to an increase in the size of the organization.
7. An entrepreneur who has the foresight and driving force behind a firm's growth and development.
8. Describes someone with the business acumen to take on risks and make a business successful.
9. The process of identifying, anticipating and satisfying consumers' requirements in a profitable way.
10. The art of influencing, inspiring and motivating others to accomplish a common goal.



For use in May 2017

### Wordle Quiz 5 - Answers



1. The strategies used by a firm when faced with a sudden and unexpected emergency. **Crisis management**
2. Occurs when the money a firm earns is insufficient to pay for its production costs. **Financial loss**
3. External stakeholders who purchase the goods or services from a business. **Customers**
4. The degree to which customers consistently repurchase the same brand of a product rather than buying from rival firms. **Brand loyalty**
5. A decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers. **Business**
6. The expansion of a business due to an increase in the size of the organization. **Growth**
7. An entrepreneur who has the foresight and driving force behind a firm's growth and development. **Visionary**
8. Describes someone with the business acumen to take on risks and make a business successful. **Entrepreneurial**
9. The process of identifying, anticipating and satisfying consumers' requirements in a profitable way. **Marketing**
10. The art of influencing, inspiring and motivating others to accomplish a common goal. **Leadership**



For use in May 2017

### SWOT Analysis for *Utopia* and *JAC*

SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect business operations. The internal factors can be classified as either **strengths** or **weaknesses** within the organization. The external factors can be categorised into **opportunities** or **threats**.

#### Strengths

- As John Ariki holds all the shares in *Utopia* (line 1), he has total autonomy so decision-making can be quick.
- *Utopia* is a private limited company (line 1), so the owner (John) benefits from limited liability.
- *Utopia* offers a once-in-a-lifetime experience for tourists (line 3), with its luxury villas and exceptional level of comfort and service (line 4).
- The company has frequent visitors, who are film stars (line 3).
- *Utopia* is positioned as a unique experience for tourists in the Pacific Islands (lines 3 – 4).



*Utopia's* guests are provided with a private boat and crew

- *Utopia* relies on word of mouth promotion (line 6), which is literally free of charge.
- *Utopia* uses a just-in-time system for obtaining the ingredients for the meals served at its villas (lines 14), which enables the firm to be lean (efficient) and to serve fresh, quality meals.
- It also uses JIT for its award-winning coffee from Aora (line 15).
- *Utopia* and *JAC* sell ethically produced fair trade coffee (line 17).
- *Utopia* is set in a beautiful location (line 19).
- The three pillars of the *Utopia* brand are: its location, the local craftsmen and materials, and the local food and coffee (lines 19 – 21).
- *Utopia* is successful in selling Aora coffee (line 22).
- *JAC* is owned as a sole trader (line 23), so John Ariki benefits from complete independence and being able to make swift decisions.



For use in May 2017

- As a sole trader, John does not have to share profits with any other stakeholders.
- Being product oriented (lines 23 – 24), *JAC* specializes in what it believes to be a highly successful product and brand (line 22).
- *JAC* roasts its coffee beans on site to enhance the coffee drinking experience (line 24 – 25).
- John is highly passionate about *JAC* as he wants to educate his customers about coffee (lines 25 – 26).
- *JAC* offers brochures, interactive displays and other attractions (line 26) and has become an important tourist activity (line 27) on Ratu.
- *JAC* is a famous brand (lines 27 – 28).
- *JAC* has won awards as a coffee roaster (line 28).



*JAC* has won awards for its coffee business

- *JAC* distributes its ground coffee to a number of neighbouring Pacific Islands (lines 28 – 29).
- The growth of *JAC* has been pleasing – John was surprised by its growth (line 30).
- *JAC* is now overseen by John's twin children (line 31) who have personal drive and passion.
- *JAC* enjoys brand loyalty (line 43).
- *Utopia* and *JAC* are financed by internal sources, so there are fewer financial liabilities for the businesses.
- John Ariki has a hands-on approach to his businesses as he does not want to compromise the vision and social responsibility of *Utopia* and *JAC* (lines 57 – 58).



For use in May 2017

## Weaknesses

- *Utopia* buys coffee from Aora at much higher prices than coffee suppliers in Indonesia and Papua New Guinea (lines 16 – 17) and all other alternatives (line 18). This could result in lower profit margins and/or higher prices being charged.



The award-winning coffee from Aora is highly priced

- *Utopia's* costs of buying coffee are well above market prices determined on commodity markets (line 19).
- Being the sole trader of *JAC* (line 23), John Ariki has unlimited liability.
- Being product oriented (lines 23 – 24), *JAC* could potentially be ignoring the (changing) needs and wants of their customers.
- *JAC* is not exploiting its considerable capacity for growth (line 43).
- *JAC* is not reaching its full potential (line 43 – 44).
- *Utopia* has recorded its first ever financial loss (line 49).
- Higher than expected costs of rebuilding *Utopia* in 2016 (lines 76 – 77) harmed its profits and liquidity.

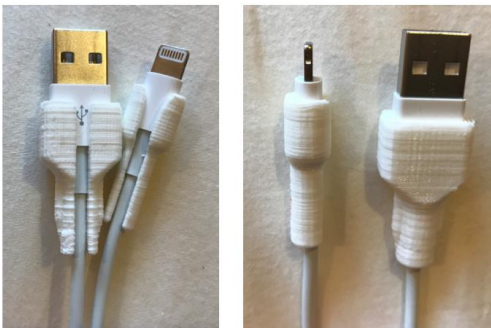
## Opportunities

- There are greater marketing opportunities to exploit, e.g. the growing use of social media, rather than relying on word of mouth promotion (line 6).
- There are wider opportunities to use skilled local craftsmen (lines 10 – 11), which reflect the culture of the Pacific Islands (lines 11 – 12).
- Opportunities exist to work with external stakeholders to expand *Utopia's* capacity (lines 12 – 13).
- Coffee growers in Indonesia and Papua New Guinea can offer their best coffee at a much lower price (lines 15 – 16) than suppliers in Aora.
- There are ways for *JAC* (and *Utopia*) to contribute to the local community (lines 38 – 39).
- There are opportunities to expand *JAC* (line 41).
- Business opportunities exist beyond a local level (line 42).



For use in May 2017

- *JAC* could enter many overseas coffee markets around the world (44 – 45), initially in the Pacific Islands of Fiji, Samoa and New Zealand (lines 67 – 68).
- External stakeholders could be involved to raise finance (line 52).
- There are opportunities for new revenue streams (line 55), such as prospects of selling 3D printed souvenirs to develop the *Utopia* brand (lines 59 – 60), with high profit margins (lines 61 – 62).



3D printed cable smartphone protectors

- Market research reveals that some profit can be earned in Fiji and Samoa, and considerable profit in New Zealand (lines 69 – 70).
- Improved internet connections and technology can help to reduce the costs of 3D printing processes (lines 60 – 61).
- Growth opportunities exist through strategic alliances, joint ventures or franchising (lines 74 – 75).
- Greater opportunities exist to embrace internet technologies, e.g. *Utopia* can use software apps such as Twitter, Facebook, TripAdvisor.com and LinkedIn to further promote its business.
- There are growth opportunities through alternative sources of (external) finance (line 79).

## Threats

- The possibility of another natural disaster (line 46) on the island of Ratu.
- The natural disaster of 2016 threatens *Utopia's* long-term viability (lines 55 – 56).
- High fixed costs of 3D printing equipment (line 62).
- High risks of getting involved in providing an untested printing service (line 65).
- Risk of some customers perceiving the 3D-printed souvenirs as inauthentic or cheap, thereby reducing *Utopia's* brand value (lines 65 – 66).
- Challenges in delivering coffee beans to new markets in a timely fashion so that the beans remain fresh (lines 70 – 71); serving unfresh coffee beans would harm the reputation of *JAC* coffee (line 72).



For use in May 2017

- *JAC* faces many external factors in creating new distribution channels (line 73).
- *Utopia* and *JAC* could become vulnerable as a takeover target or face intense rivalry, perhaps by the presence of large global competitors, e.g. *Utopia's* success might attract the attention of rivals such as Four Seasons (the luxury hotel group).



*JAC* faces competition from other cafés on Ratu





For use in May 2017

## PEST Analysis for *Utopia* and JAC

PEST analysis provides a framework for decision makers to consider factors in the external business environment that affect business operations. These factors can be categorized into four sections: **p**olitical, **e**conomic, **s**ocial and **t**echnological factors which can present opportunities and threats as outlined in the case study.

The BM syllabus refers to **STEEPLE analysis** (social, technological, economic, environmental, political, legal and ethical). For ease of revision, this analysis places 'environmental' and 'ethical' factors under the section on 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

### Political (including legal factors)

- Rules regarding the legal ownership of businesses such as sole traders (line 23) and private limited companies (line 1).
- Laws and regulations regarding selling *JAC* coffee in overseas markets such as Fiji, Samoa and New Zealand (lines 67 – 68).



Nadi International Airport, Fiji

- Regulations in overseas countries concerning the establishment of strategic alliances, joint ventures and franchising (lines 74 – 75).
- Changes in the legal ownership of *Utopia* and *JAC* are inevitable, irrespective of the growth option(s) John Ariki chooses (line 78).

### Economic

- *Utopia's* clients spend a large amount of money for the once-in-a-lifetime experience so the company's finances are less prone to fluctuations in the business cycle. For example, frequent visitors are film stars (line 3) and clients get a private boat and crew (line 5).
- John Ariki has faced pressures from external stakeholders to expand his company's capacity (lines 12 – 13).
- Alternative suppliers from Indonesia and Papua New Guinea have offered John Ariki their best coffees at lower prices than suppliers in Aora (lines 16 – 17).
- Coffee prices on the commodity market fluctuate, although John Ariki is willing to pay his suppliers in Aora prices that are well above the market price (lines 18 – 19).





For use in May 2017

- Liza Ariki believes there is scope for considerable capacity for growth and that *JAC* could enter many coffee markets around the world (lines 42 – 45).
- Potential competition from large multinational companies such as Starbucks, headquartered in Seattle (line 37).



Starbucks was founded in Seattle

- *Utopia* has reported its first financial loss in 16 years (line 49).
- *Utopia* has traditionally refrained from using external sources of finance (lines 52 – 53), even after offers came in following the natural disaster in 2016 (lines 51 – 52).
- The natural disaster on the island of Ratu has damaged *Utopia's* market position and threatened its long-term survival (lines 55 – 56).
- The gross profit margins on the proposed 3D customized souvenirs would be high (lines 61 – 62).
- The capital cost of the proposed 3D printing service is \$10,000 (line 64), although the market is untested (65).
- Liza Ariki's market research revealed some profit potential by selling *JAC* coffee in Fiji and Samoa (line 69) and considerable profits in New Zealand (line 70).
- Alternative sources of finance need to be considered, irrespective of which growth option(s) that John Ariki chooses (line 79).

### **Social (including environmental and ethical factors)**

- The villas at *Utopia* reflect the local culture of the Pacific Islands (lines 11 – 12).
- Wider opportunities to use skilled local craftsmen (lines 10 – 11), which reflect the culture of the Pacific Islands (lines 11 – 12).
- John Ariki has a passion for ethically produced fair trade coffee from Aora (line 17).
- The (quality of) local food and coffee are distinctive features of the *Utopia* brand (lines 20 – 21).



For use in May 2017

- John Ariki likes to educate coffee drinkers about coffee sold at *Utopia* and *JAC*. At the café, he offers coffee tastings, brochures, interactive displays and other attractions (lines 26 – 27).
- Visiting *JAC* has been an important tourist activity on the island of Ratu (line 27).
- Paul Ariki's business thinking was inspired by a small chain of coffee roasters and retailers in Seattle that make significant donations to charities, with the aim of ending human trafficking (lines 34 – 36).
- There are ways for *JAC* (and *Utopia*) to contribute to the local community (lines 38 – 39)
- A natural disaster destroyed most of the villas at *Utopia* in 2016 (line 46).
- Changes in the external environment can cause a sudden and unexpected decrease in bookings at *Utopia* (line 48).
- External investors would potentially interfere with John Ariki's vision for *Utopia* and *JAC* (line 53).
- John Ariki realises that he will need to consider new revenue streams (lines 54 – 55), especially after the financial turmoil following the natural disaster that has harmed his businesses.
- Whichever growth option is chosen, the vision and social responsibility of both *Utopia* and *JAC* would not be compromised (lines 57 – 58).
- People may perceive 3D printed souvenirs as inauthentic or cheap, thus devaluing the *Utopia* brand (lines 65 – 66).
- The reputation of *JAC* would suffer if Liza Ariki is unable to ensure the Aora coffee is delivered to customers in Fiji, Samoa and New Zealand in a timely manner (lines 70 – 72).



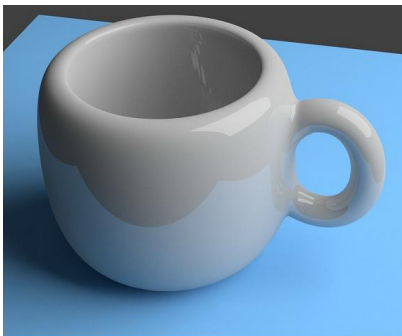
*Utopia* offers its customers a unique experience



For use in May 2017

## Technological

- *Utopia* relies heavily on word of mouth promotion (line 6), so there is scope for improved use of technology for marketing *Utopia* and *JAC*, such as viral marketing via the Internet (line 7).
- *Utopia* relies on a just-in-time system for obtaining the ingredients for its meals (lines 14 – 15), including the award-winning coffee from the island of Aora (line 15).
- Paul Ariki is considering the use of 3D printing to produce customized souvenirs in order to develop the *Utopia* brand (lines 59 – 60).
- Improved internet connections and technology make the (previously) expensive 3D printing process a possibility (lines 60 – 61).
- Gaining experience with 3D printing can create more business opportunities for *Utopia* and *JAC* (lines 63 – 64).
- Liza needs to establish the logistics and technologies needed to deliver *JAC* coffee beans from Aora to Fiji, Samoa and New Zealand in a timely manner to ensure the product remains fresh (lines 70 – 71).



Coffee cup made with 3D printer



For use in May 2017

### Unit 1 – Business organization and environment

#	Question	Marks	HL	Command Term	SL/HL Content
1.1.1	Define the term <i>entrepreneur</i> (line 1).	2		Define	The role of entrepreneurship (and entrepreneur) in overall business activity
1.1.2	Define the term <i>service</i> (line 4).	2		Define	The role of businesses in combining human, physical and financial resources to create goods and services
1.1.3	Define the term <i>business plan</i> (lines 8, 10, 44)	2		Define	The elements of a business plan
1.1.4	Define the term <i>business</i> (lines 33, 41, 43, 51, 64).	2		Define	The role of businesses in combining human, physical and financial resources to create goods and services
1.1.5	Liza is described as being entrepreneurial (line 40). Define the term <i>entrepreneurial</i> .	2		Define	The role of entrepreneurship (and entrepreneur) in overall business activity
1.1.6	Liza is described as being a visionary (line 40). Define the term <i>visionary</i> .	2		Define	The role of entrepreneurship (and entrepreneur) in overall business activity
1.1.7	In the context of business functions, define the term <i>finance</i> (line 40).	2		Define	The role of businesses in combining human, physical and financial resources to create goods and services



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.1.8	<i>Utopia</i> and <i>JAC</i> operate in the tertiary sector. Outline the nature of business activity in the tertiary sector.	2		Outline	Primary, secondary, tertiary and quaternary sectors
1.1.9	In the context of <i>Utopia</i> , explain the role of businesses in combining human, physical and financial resources to create goods and services.	4		Explain	The role of businesses in combining human, physical and financial resources to create goods and services
1.1.10	Explain marketing as a business function at <i>Utopia</i> (line 37).	4		Explain	The main business functions and their roles
1.1.11	Explain operations as a business function at <i>Utopia</i> (line 37).	4		Explain	The main business functions and their roles
1.1.12	Explain human resources as a business function at <i>Utopia</i> (line 40).	4		Explain	The main business functions and their roles
1.1.13	Explain finance as a business function at <i>Utopia</i> (line 40).	4		Explain	The main business functions and their roles
1.1.14	John Ariki is an entrepreneur. Explain the role of entrepreneurship in the context of his businesses.	4		Explain	The role of entrepreneurship in overall business activity.
1.1.15	Explain two reasons why John Ariki might have set up <i>Utopia</i> as his own business.	4		Explain	Reasons for starting up a business or an enterprise
1.1.16	Explain the possible steps in setting up a private limited company (line 1), such as <i>Utopia</i> .	4		Explain	Common steps in the process of starting up a business



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.1.17	In 2000, John Ariki set up his own business. Explain two possible problems that a new business may face.	4		Explain	Problems that a new business or enterprise may face
1.1.18	In 2006, John Ariki opened a café in the nearest main town on Ratu (lines 22 – 23). Explain two possible problems that a new business such as <i>JAC</i> may face.	4		Explain	Problems that a new business or enterprise may face
1.1.19	Liza is investigating the possibility of expanding in new markets (lines 44 – 45) and will need to prepare a business plan. Identify four elements of a business plan.	4		Identify	The elements of a business plan
1.1.20	Outline how producing a business plan (line 44) can help <i>Utopia</i> to achieve its growth objectives.	4		Outline	The elements of a business plan
1.1.21	Examine how <i>Utopia</i> combines human, physical and financial resources to create goods and services.	6		Examine	The role of businesses in combining human, physical and financial resources to create goods and services
1.2.1	Define the term <i>private limited company</i> (line 1).	2		Define	The main features of companies/corporations
1.2.2	Define the term <i>sole trader</i> (line 23).	2		Define	The main features of the following types of for-profit (commercial) organizations: sole traders
1.2.3	Define the term <i>charities</i> (line 35).	2		Define	Types of non-profit social enterprises: charities



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.2.4	Define the term <i>legal ownership</i> (line 78).	2		Define	The main features of types of organizations
1.2.5	Charities (line 35) are a type of non-profit social enterprise. Define the term <i>non-profit social enterprise</i> .	2		Define	Types of non-profit social enterprises: non-governmental organizations (NGOs)
1.2.6	<i>Utopia</i> operates in the private sector. Distinguish between the private and public sector.	4		Distinguish	Distinction between the private and the public sectors
1.2.7	Outline two features of a sole trader (line 23) as a form of business ownership.	4		Outline	The main features of sole traders
1.2.8	Outline two features of a private limited company (line 1) as a form of business ownership.	4		Outline	The main features of companies/corporations
1.2.9	Outline two features of charities (line 35) as a form of business ownership.	4		Outline	The main features of charities
1.2.10	<i>Utopia</i> is a privately owned company (line 1). Distinguish between privately and publically owned companies.	4		Distinguish	The main features of companies/corporations
1.2.11	Explain the possible steps in setting up a sole trader business (line 23).	4		Explain	Common steps in the process of starting up a business
1.2.12	Explain why John Ariki may have set up his café ( <i>JAC</i> ) specifically as a sole trader (line 23).	4		Explain	The main features of sole traders



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.2.13	Explain one advantage and one disadvantage of John Ariki setting up <i>JAC</i> as a sole trader (line 23).	4		Explain	The main features of sole traders
1.2.14	Explain two advantages to <i>Utopia</i> of setting up the business as a private limited company (line 1).	4		Explain	The main features of companies/corporations
1.2.15	Explain one advantage and one disadvantage of John Ariki owning 100% of the shares in <i>Utopia</i> (line 1).	4		Explain	The main features of companies/corporations
1.2.16	Explain how limited liability would provide John Ariki, the sole shareholder of <i>Utopia</i> , with the protection that he needs as the company grows.	4		Explain	The main features of companies/corporations
1.2.17	Examine two advantages and one disadvantage of <i>Utopia</i> being structured as a private limited company (line 1).	6		Examine	The main features of companies/corporations
1.2.18	Examine two advantages and one disadvantage of <i>JAC</i> being structured as a sole trader (line 23).	6		Examine	The main features of companies/corporations
1.3.1	In the context of <i>Utopia</i> , define the term <i>ethically produced</i> (line 17).	2		Define	Ethical objectives and corporate social responsibility (CSR)
1.3.2	Define the term <i>aim</i> (line 36).	2		Define	Aims, objectives, strategies and tactics, and their relationships





For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.3	Define the term <i>product development</i> (line 38).	2		Define	Ansoff matrix for different growth strategies of a given organization
1.3.4	Define the term <i>opportunities</i> (lines 42 and 63).	2		Define	SWOT analysis of a given organization
1.3.5	Define the term <i>vision</i> (lines 53 and 58).	2		Define	Vision statement and mission statement
1.3.6	Define the term <i>threats</i> (lines 55).	2		Define	SWOT analysis of a given organization
1.3.7	Define the term <i>growth options</i> (line 56 and 76).	2		Define	Ansoff matrix for different growth strategies of a given organization
1.3.8	Define the term <i>social responsibility</i> (line 58).	2		Define	Ethical objectives and corporate social responsibility (CSR)
1.3.9	In the context of <i>Utopia</i> , define the term <i>market development</i> (lines 67 – 70).	2		Define	Ansoff matrix for different growth strategies of a given organization
1.3.10	In the context of <i>Utopia</i> , define the term <i>mission statement</i> .	2		Define	Vision statement and mission statement
1.3.11	In the context of <i>Utopia</i> , define the term <i>SWOT analysis</i> .	2		Define	SWOT analysis of a given organization
1.3.12	In the context of <i>Utopia</i> , outline the purpose of a vision (lines 53 and 58).	2		Outline	Vision statement and mission statement



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.13	Identify two objectives of <i>Utopia</i> .	2		Identify	Aims, objectives, strategies and tactics, and their relationships
1.3.14	Identify two objectives of <i>JAC</i> .	2		Identify	Aims, objectives, strategies and tactics, and their relationships
1.3.15	Identify two weakness of <i>Utopia</i> .	2		Identify	SWOT analysis of a given organization
1.3.16	Identify two strengths of <i>Utopia</i> .	2		Identify	SWOT analysis of a given organization
1.3.17	Identify two threats to <i>Utopia</i> .	2		Identify	SWOT analysis of a given organization
1.3.18	Identify two opportunities for <i>Utopia</i> .	2		Identify	SWOT analysis of a given organization
1.3.19	Suggest two ways the <i>JAC</i> could contribute to the local community (lines 38 – 39) on the island of Ratu.	2		Suggest	Ethical objectives and corporate social responsibility (CSR)
1.3.20	Explain the importance of a vision in managing <i>Utopia</i> as a for-profit organization (line 95).	4		Explain	Vision statement and mission statement
1.3.21	Explain the importance of vision statements for non-profit organizations such as charities (line 35).	4		Explain	Vision statement and mission statement
1.3.22	Explain the importance of organizational objectives in managing <i>Utopia</i> .	4		Explain	Aims, objectives, strategies and tactics, and their relationships



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.23	Explain the purpose of having clear objectives for <i>Utopia</i> .	4		Explain	Aims, objectives, strategies and tactics, and their relationships
1.3.24	Explain the purpose of having clear corporate aims for <i>Utopia</i> .	4		Explain	Aims, objectives, strategies and tactics, and their relationships
1.3.25	Explain why the setting of strategic objectives is important in managing <i>Utopia</i> .	4		Explain	Aims, objectives, strategies and tactics, and their relationships
1.3.26	Explain the link between the ethical objectives of <i>Utopia</i> and its corporate social responsibility (CSR).	4		Explain	Ethical objectives and corporate social responsibility (CSR)
1.3.27	In the context of <i>Utopia</i> , explain the evolving role and nature of corporate social responsibility (CSR).	4		Explain	The evolving role and nature of CSR
1.3.28	Explain the value of the Ansoff matrix as a strategic decision-making tool for <i>Utopia</i> .	4		Explain	Ansoff matrix for different growth strategies of a given organization
1.3.29	Explain how the natural disaster in 2016 (line 46) presents problems for <i>Utopia</i> .	4		Explain	SWOT analysis of a given organization
1.3.30	In the context of <i>Utopia</i> , distinguish between aims and objectives.	4		Distinguish	Aims, objectives, strategies and tactics, and their relationships
1.3.31	Using relevant examples, distinguish between operational objectives and strategic objectives at <i>Utopia</i> .	4		Distinguish	Aims, objectives, strategies and tactics, and their relationships



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.32	In the context of <i>Utopia</i> , distinguish between tactics and strategies.	4		Distinguish	Aims, objectives, strategies and tactics, and their relationships
1.3.33	Using a SWOT analysis framework, identify two weaknesses of and two threats to <i>Utopia</i> .	4		Identify	SWOT analysis of a given organization
1.3.34	Prepare a SWOT analysis of <i>Utopia</i> 's current position, showing only the strengths and weaknesses.	4		Prepare	SWOT analysis of a given organization
1.3.35	Construct a fully labelled Ansoff matrix to show <i>Utopia</i> 's possible growth strategies.	4		Construct	Ansoff matrix for different growth strategies of a given organization
1.3.36	Compare and contrast the objectives of a sole trader (line 23), such as <i>JAC</i> , and private limited companies (line 1), such as <i>Utopia</i> .	6		Compare and contrast	Aims, objectives, strategies and tactics, and their relationships
1.3.37	Compare and contrast the objectives of non-profit organizations such as charities (line 35) and for-profit organizations such as <i>Utopia</i> and <i>JAC</i> .	6		Compare and contrast	Aims, objectives, strategies and tactics, and their relationships
1.3.38	Examine the reasons why <i>Utopia</i> might consider setting ethical objectives.	6		Examine	The need for organizations to change objectives and innovate in response to changes in internal and external environments



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.39	Using a SWOT framework, examine the strengths and weaknesses of <i>Utopia</i> .	6		Examine	SWOT analysis of a given organization
1.3.40	Analyse the advantages and disadvantages for <i>Utopia</i> in setting ethical objectives.	6		Analyse	The reasons why organizations set ethical objectives and the impact of implementing them
1.3.41	Analyse the role of vision statements in organizations such as <i>Utopia</i> .	6		Analyse	Vision statement and mission statement
1.3.42	Prepare a SWOT analysis for <i>Utopia</i> .	6		Prepare	SWOT analysis of a given organization
1.3.43	Analyse the advantages and disadvantages for <i>Utopia</i> of using a SWOT analysis.	6		Analyse	SWOT analysis of a given organization
1.3.44	Using Ansoff's matrix as a framework, examine how market development in the Pacific islands of Fiji, Samoa and New Zealand (lines 67 – 68) might bring competitive advantages to <i>Utopia</i> .	6		Examine	Ansoff matrix for different growth strategies of a given organization
1.3.45	Using Ansoff's matrix as a framework, examine how expanding its product range by introducing 3D printed customized souvenirs (lines 59 – 60) might bring competitive advantages to <i>Utopia</i> .	6		Examine	Ansoff matrix for different growth strategies of a given organization



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.46	Discuss the usefulness of the Ansoff matrix when choosing between the various growth options available to <i>Utopia</i> .	10		Discuss	Ansoff matrix for different growth strategies of a given organization
1.3.47	Discuss the reasons why organizations such as <i>Utopia</i> set ethical objectives and the impact of implementing them.	10		Discuss	The reasons why organizations set ethical objectives and the impact of implementing them
1.3.48	Discuss the need for <i>Utopia</i> to change its objectives and innovate in response to internal changes at the company.	10		Discuss	The need for organizations to change objectives and innovate in response to changes in internal and external environments
1.3.49	Discuss the need for <i>Utopia</i> to change its objectives and innovate in response to changes in the external business environment.	10		Discuss	The need for organizations to change objectives and innovate in response to changes in internal and external environments
1.3.50	With reference to <i>Utopia</i> , discuss why attitudes towards social responsibility (line 58) may change over time.	10		Discuss	The evolving role and nature of CSR
1.3.51	Discuss the impact of implementing ethical objectives at <i>Utopia</i> .	10		Discuss	The need for organizations to change objectives and innovate in response to changes in internal and external environments



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.3.52	Evaluate the need for <i>Utopia</i> to change its objectives in response to changes in the external environment.	10		Evaluate	The need for organizations to change objectives and innovate in response to changes in internal and external environments
1.4.1	Define the term <i>stakeholders</i> (line 12).	2		Define	The interests of external stakeholders
1.4.2	Define the term <i>external stakeholders</i> (line 12).	2		Define	The interests of external stakeholders
1.4.3	Define the term <i>suppliers</i> (line 18).	2		Define	The interests of external stakeholders
1.4.4	Define the term <i>local community</i> (line 39).	2		Define	The interests of external stakeholders
1.4.5	Define the term <i>customers</i> (line 47).	2		Define	The interests of external stakeholders
1.4.6	In the context of <i>Utopia</i> , define the term <i>employees</i> .	2		Define	The interests of internal stakeholders
1.4.7	In the context of <i>Utopia</i> , define the term <i>shareholders</i> .	2		Define	The interests of external stakeholders
1.4.8	In the context of <i>Utopia</i> , define the term <i>competitors</i> .	2		Define	The interests of external stakeholders
1.4.9	Identify two internal stakeholders of <i>Utopia</i> .	2		Identify	The interests of internal stakeholders
1.4.10	Identify two external stakeholders of <i>Utopia</i> .	2		Identify	The interests of external stakeholders
1.4.11	Explain the interests of two of <i>Utopia's</i> internal stakeholders.	4		Explain	The interests of internal stakeholders



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.4.12	Explain the interests of two of <i>Utopia's</i> external stakeholder groups.	4		Explain	The interests of external stakeholders
1.4.13	Within the context of <i>Utopia</i> , examine two possible areas of mutual benefit between stakeholders' interests.	6		Examine	Possible areas of mutual benefit and conflict between stakeholders' interests
1.4.14	Within the context of <i>Utopia</i> , examine possible areas of conflict between the various stakeholders.	6		Examine	Possible areas of mutual benefit and conflict between stakeholders' interests
1.5.1	Define the term <i>external factors</i> (line 73).	2		Define	STEEPLE analysis of a given organization
1.5.2	Explain how an economic recession might affect <i>Utopia</i> .	4		Explain	STEEPLE analysis of a given organization
1.5.3	Explain the value to <i>Utopia</i> in preparing a STEEPLE analysis.	4		Explain	STEEPLE analysis of a given organization
1.5.4	Explain how external opportunities and threats can impact on decision-making at <i>Utopia</i> .	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.5	Explain how a change in any two STEEPLE factors can impact on <i>Utopia's</i> business objectives.	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy





For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.5.6	Explain how a change in any two STEEPLE factors can impact on <i>Utopia's</i> business strategy.	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.7	Explain how changes in the technological environment present both opportunities and threats for <i>Utopia</i> .	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.8	Explain how changes in economic factors create both opportunities and threats for <i>Utopia</i> .	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.9	Explain how changes in social factors create opportunities and threats for <i>Utopia</i> .	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.10	Explain the impact of improved internet connections and technology (line 60) on <i>Utopia</i> .	4		Explain	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.11	Suggest two external factors that <i>JAC</i> could face in creating new distribution channels in new markets (lines 68 – 69).	4		Suggest	STEEPLE analysis of a given organization



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.5.12	Examine how changes in any two STEEPLE factors can create both opportunities and threats for <i>Utopia</i> .	6		Examine	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.13	Using any four categories, prepare a STEEPLE analysis for <i>Utopia</i> .	6		Prepare	STEEPLE analysis of a given organization
1.5.14	Examine how changes in the external business environment may impact on the operations of <i>Utopia</i> .	6		Examine	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.15	Examine the impact that external opportunities and threats may have on <i>Utopia's</i> objectives and strategy.	6		Examine	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.5.16	Using a STEEPLE analysis, discuss the impact of changes in the external environment on the operations of <i>Utopia</i> .	10		Discuss	Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy
1.6.1	In the context of <i>Utopia</i> , define the term <i>expand</i> (line 12).	2		Define	Internal growth methods
1.6.2	Define the term <i>growth</i> (lines 30 and 43).	2		Define	Internal growth methods
1.6.3	Define the term <i>multinational</i> (line 36).	2		Define	Reasons for the growth of multinational companies (MNCs)



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.6.4	Define the term <i>headquartered</i> (line 37).	2		Define	Reasons for the growth of multinational companies (MNCs)
1.6.5	Define the term <i>internal growth</i> (line 51).	2		Define	Internal growth methods
1.6.6	Define the term <i>strategic alliance</i> (line 74).	2		Define	External growth methods
1.6.7	Define the term <i>joint venture</i> (line 74).	2		Define	External growth methods
1.6.8	Define the term <i>franchising</i> (line 75).	2		Define	External growth methods
1.6.9	In the context of <i>Utopia</i> , define the term <i>external growth</i> .	2		Define	External growth methods
1.6.10	Outline the role of globalization on the growth and evolution of <i>Utopia</i> .	4		Outline	The role and impact of globalization on the growth and evolution of businesses
1.6.11	In the context of <i>Utopia</i> , explain the difference between internal and external growth.	4		Explain	The difference between internal and external growth
1.6.12	Explain the importance of economies of scale for businesses such as <i>Utopia</i> and <i>JAC</i> .	4		Explain	Economies and diseconomies of scale
1.6.13	Explain why businesses such as <i>Utopia</i> are able to achieve some economies of scale.	4		Explain	Economies and diseconomies of scale



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.6.14	Explain two advantages of organic growth compared with external growth for <i>Utopia</i> (line 56).	4		Explain	The difference between internal and external growth
1.6.15	Explain one advantage and one disadvantage of <i>JAC</i> selling in overseas markets through a strategic alliance (lines 73 – 74).	4		Explain	External growth methods: strategic alliances
1.6.16	Explain one advantage and one disadvantage of <i>JAC</i> selling in overseas markets through a joint venture (lines 73 – 74).	4		Explain	External growth methods: joint venture
1.6.17	Explain one advantage and one disadvantage of <i>JAC</i> selling in overseas markets through franchising (lines 73 – 75).	4		Explain	External growth methods: franchising
1.6.18	Compare the merits of small businesses (such as <i>JAC</i> ) and large organizations (such as the multinational coffee retailer headquartered in Seattle).	6		Compare	The merits of small versus large organizations
1.6.19	Examine how globalization might have contributed to the growth of businesses such as <i>Utopia</i> and <i>JAC</i> .	6		Examine	The role and impact of globalization on the growth and evolution of businesses
1.6.20	Discuss the use of strategic alliances (line 74) as a method of growth for <i>Utopia</i> in overseas markets.	10		Discuss	External growth methods: joint ventures



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.6.21	Discuss the use of joint ventures (line 74) as a method of growth for <i>Utopia</i> in overseas markets.	10		Discuss	External growth methods: joint ventures
1.6.22	Discuss the use of franchising (line 75) as a method of growth for <i>Utopia</i> in overseas markets.	10		Discuss	External growth methods: joint ventures
1.6.23	Discuss the impact of globalization on the growth and evolution of <i>Utopia</i> and <i>JAC</i> .	10		Discuss	The role and impact of globalization on the growth and evolution of businesses
1.7.1	Explain how a force field analysis can help John Ariki to decide whether to develop the <i>Utopia</i> brand by selling 3D printed souvenirs (lines 59 – 60).	4	HL	Explain	The value to an organization of planning tools
1.7.2	Explain how a force field analysis can help John Ariki to decide whether to develop the <i>JAC</i> brand by selling its ground coffee in overseas markets (lines 67 – 68).	4	HL	Explain	The value to an organization of planning tools
1.7.3	Explain how the use of a Gantt chart can help John Ariki to decide on a suitable timeframe for introducing changes to the organizational structure and legal ownership at <i>Utopia</i> and <i>JAC</i> (lines 77 – 78).	4	HL	Explain	The value to an organization of planning tools
1.7.4	Explain how the use of a decision tree might help <i>Utopia</i> to decide whether to pursue a market development strategy in Fiji, Samoa or New Zealand (lines 67 – 68).	4	HL	Explain	The value to an organization of planning tools



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
1.7.5	Using Lewin's force field analysis, discuss the merits of <i>Utopia</i> pursuing market development in the Pacific islands of Fiji, Samoa and New Zealand (lines 67 – 68).	10	HL	Discuss	The value to an organization of planning tools



For use in May 2017

## Unit 2 – Human resource management

#	Question	Marks	HL	Command Term	SL/HL Content
2.1.1	Define the term <i>human resource</i> (line 40).	2		Define	Human resource planning (workforce planning)
2.1.2	In the context of <i>Utopia</i> , define the term <i>workforce planning</i> .	2		Define	Human resource planning (workforce planning)
2.1.3	Identify two factors that may affect <i>Utopia's</i> workforce planning.	2		Identify	Human resource planning (workforce planning)
2.1.4	Identify one type of on-the-job training and one type of off-the-job training that <i>Utopia</i> could use.	2		Identify	Types of training
2.1.5	Outline the role of a <i>human resource manager</i> (line 40).	2		Outline	Human resource planning (workforce planning)
2.1.6	Outline two internal factors that influence human resource planning at <i>Utopia</i> .	4		Outline	Internal factors that influence human resource planning
2.1.7	Outline two external factors that influence human resource planning at <i>Utopia</i> .	4		Outline	External factors that influence human resource planning



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.1.8	Outline the common steps in the process of recruiting employees at <i>JAC</i> .	4		Outline	Common steps in the process of recruitment
2.1.9	In 2011, John handed over responsibility for the daily operations of <i>JAC</i> to his two children. Outline two reasons why mentoring might have been appropriate in this case.	4		Outline	Types of training: on the job (including mentoring)
2.1.10	Describe two suitable methods of recruitment for employees of <i>Utopia</i> .	4		Describe	Human resource planning (workforce planning)
2.1.11	In the context of <i>Utopia</i> , distinguish between on-the-job training and off-the-job training.	4		Distinguish	Types of training
2.1.12	Given the financial loss (line 49), explain the common steps in staff redundancies that might take place at <i>Utopia</i> .	4		Explain	Common steps in the processes of redundancy
2.1.13	Explain how cognitive and behavioural training might be used for Paul and Liza at <i>JAC</i> .	6		Explain	Types of training: cognitive and behavioural
2.1.14	Explain how formative and summative appraisals might be used at <i>Utopia</i> .	6		Explain	Types of appraisal: formative and summative
2.1.15	Explain how 360-degree feedback and self-appraisal methods of appraisal might be used at <i>Utopia</i> .	6		Explain	Types of appraisal: 360-degree feedback and self-appraisal





For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.1.16	Discuss how ethical considerations and culture may influence human resource practices at <i>Utopia</i> .	10		Discuss	How innovation, ethical considerations and cultural differences may influence human resource practices and strategies in an organization
2.1.17	Discuss how innovation, ethical considerations and cultural differences may influence human resource practices at <i>Utopia</i> .	10		Discuss	How innovation, ethical considerations and cultural differences may influence human resource practices and strategies in an organization
2.2.1	Define the term <i>organizational structure</i> (line 78).	2		Define	Different types of organizational structures
2.2.2	Define the term <i>organizational charts</i> (line 80).	2		Define	Types of organization charts
2.2.3	With reference to <i>Utopia</i> and in the context of organizational structures, define the term <i>centralization</i> .	2		Define	Types of organizational structures: centralization
2.2.4	In 2011, John Ariki delegated responsibility for the daily operations of <i>JAC</i> to his twin children (lines 30 – 31). Define the term <i>delegation</i> .	2		Define	Types of organizational structures: delegation
2.2.5	Liza Ariki is the human resource manager at <i>JAC</i> (line 40). Outline why <i>JAC</i> needs to organize personnel by function.	2		Outline	Types of organization charts: by function
2.2.6	Outline two reasons why <i>Utopia</i> might decide to change its organizational structure (lines 77 – 78).	4		Outline	How changes in work patterns, practices and preferences affect employers



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.2.7	Explain why it might be necessary to make the organizational structures at <i>Utopia</i> and <i>JAC</i> taller as the businesses grow.	4		Explain	Types of organization charts: tall/vertical
2.2.8	In the context of <i>Utopia</i> , explain the importance of core employees to the organization.	4		Explain	Handy's 'Shamrock Organization'
2.2.9	In the context of <i>Utopia</i> , explain the importance of temporary employees to the organization.	4		Explain	Handy's 'Shamrock Organization'
2.2.10	In the context of <i>Utopia</i> , explain the importance of peripheral employees to the organization.	4		Explain	Handy's 'Shamrock Organization'
2.2.11	Examine the role and importance of the informal organization at <i>Utopia</i> and <i>JAC</i> .	6		Examine	How cultural differences may impact on communication in an organization
2.2.12	Liza Ariki is proposing to expand into overseas markets. Examine how cultural differences may impact on communication at <i>JAC</i> .	6		Examine	How cultural differences may impact on communication in an organization
2.2.13	Evaluate the role and importance of informal organization at <i>Utopia</i> .	10		Evaluate	How cultural differences may impact on communication in an organization
2.3.1	Define the term <i>paternalistic leadership</i> (line 21).	2		Define	Leadership styles
2.3.2	Define the term <i>manager</i> (line 40).	2		Define	Management versus leadership



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.3.3	Identify two key features of a paternalistic leadership style (line 21).	2		Identify	Leadership styles
2.3.4	Outline two key features of a paternalistic leadership style (line 21).	4		Outline	Leadership styles
2.3.5	In the context of <i>Utopia</i> , distinguish between management and leadership.	4		Distinguish	Management versus leadership
2.3.6	Comment on the appropriateness of John Ariki's paternalistic leadership style.	4		Comment	Leadership styles
2.3.7	Explain one advantage and one disadvantage of a paternalistic leadership style (line 21).	4		Explain	Leadership styles
2.3.8	Liza Ariki is the human resource manager at <i>JAC</i> (line 40). Explain the key functions of management.	6		Explain	The key functions of management
2.3.9	With reference to <i>Utopia</i> , analyse the importance of management in business organizations.	6		Analyse	The key functions of management
2.3.10	Examine how John Ariki's leadership style may need to change as <i>Utopia</i> grows over time.	6		Analyse	Evaluate the effectiveness of various styles of leadership and their implications for organizations



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.3.11	Examine how ethical considerations may influence leadership and management styles at <i>Utopia</i> and <i>JAC</i> .	6		Examine	How ethical considerations and cultural differences may influence leadership and management styles in an organization
2.3.12	John Ariki has a paternalistic leadership style (line 21). Examine the effectiveness and implications of his leadership style for <i>Utopia</i> .	6		Examine	Leadership styles
2.3.13	Discuss how ethical considerations and cultural differences may influence leadership and management styles at <i>Utopia</i> .	10		Discuss	How ethical considerations and cultural differences may influence leadership and management styles in an organization
2.4.1	In the context of <i>JAC</i> , outline the meaning of <i>empowerment</i> .	2		Outline	Types of non-financial rewards: empowerment
2.4.2	Explain how non-financial rewards can affect job satisfaction and productivity of <i>Utopia's</i> employees.	4		Explain	How non-financial rewards may affect job satisfaction, motivation and productivity
2.4.3	Explain how non-financial rewards can affect job satisfaction at <i>JAC</i> .	4		Explain	How non-financial rewards may affect job satisfaction, motivation and productivity
2.4.4	Explain how non-financial rewards can affect motivation at <i>Utopia</i> .	4		Explain	How non-financial rewards may affect job satisfaction, motivation and productivity
2.4.5	Explain how non-financial rewards can affect productivity at <i>Utopia</i> .	4		Explain	How non-financial rewards may affect job satisfaction, motivation and productivity



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.4.6	Explain two likely types of financial rewards used at <i>JAC</i> .	4		Explain	Types of financial rewards
2.4.7	Explain two likely types of non-financial rewards used at <i>Utopia</i> .	4		Explain	Types of non-financial rewards
2.4.8	Analyse how the use of fringe payments impacts on job satisfaction and productivity at <i>Utopia</i> and <i>JAC</i> .	6		Analyse	How financial rewards may affect job satisfaction, motivation and productivity
2.4.9	Analyse how the use of performance-related pay can improve the productivity of workers at <i>Utopia</i> and <i>JAC</i> .	6		Analyse	Types of financial rewards: performance-related pay (PRP)
2.4.10	Using Taylor's theory of motivation, examine the factors that affect the level of staff motivation at <i>Utopia</i> .	6		Examine	Motivation theories: Taylor
2.4.11	Using Herzberg's theory of motivation, examine the factors that affect the level of staff motivation at <i>Utopia</i> .	6		Examine	Motivation theories: Herzberg (motivation-hygiene theory)
2.4.12	Using Pink's motivation theory, examine the factors that might affect John Ariki's level of motivation at <i>Utopia</i> .	6		Examine	Motivation theories: Pink
2.4.13	Using at least one theory of motivation, discuss the factors that affect the level of motivation at <i>Utopia</i> .	10		Discuss	Motivation theories
2.4.14	Discuss how financial and non-financial rewards may affect the level of staff motivation, job satisfaction and productivity at <i>Utopia</i> .	10		Discuss	How financial and non-financial rewards may affect job satisfaction, motivation and productivity in different cultures



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.5.1	Describe the corporate culture at <i>Utopia</i> .	4	HL	Describe	Elements of organizational culture
2.5.2	Outline two elements of organizational culture at <i>Utopia</i> .	4	HL	Outline	Elements of organizational culture
2.5.3	Explain two influences on the organizational culture at <i>Utopia</i> .	4	HL	Explain	Elements of organizational culture
2.5.4	Describe how <i>JAC</i> 's organizational culture might impact on the level of employee motivation.	4	HL	Describe	How organizational culture influences individuals
2.5.5	Explain how John Ariki's paternalistic leadership style might influence <i>JAC</i> 's corporate culture.	4	HL	Explain	How individuals influence organizational culture
2.5.6	In 2011, John Ariki handed over responsibility for daily operations of <i>JAC</i> to his twin children. Explain how the organizational culture at <i>JAC</i> may change due to a change in leadership styles.	4	HL	Explain	How individuals influence organizational culture
2.5.7	Discuss the consequences of cultural clashes if <i>JAC</i> changes its organizational structure and legal ownership (lines 77 – 78).	10	HL	Discuss	The reasons for, and consequences of, cultural clashes within organizations when they grow, merge and when leadership styles change
2.6.1	Outline two possible sources of conflict in the workplace at <i>JAC</i> .	4	HL	Outline	Sources of conflict in the workplace



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
2.6.2	Paul Ariki is proposing to produce 3D printed souvenirs (lines 59 -60) at <i>Utopia</i> . Suggest two reasons why there could be resistance to such change in the workplace.	4	HL	Suggest	Reasons for resistance to change in the workplace
2.6.3	Examine how ethical considerations in the workplace may influence employer-employee relations at <i>Utopia</i> .	6	HL	Examine	How ethical considerations may influence employer-employee relations in an organization.



For use in May 2017

### Unit 3 – Finance and accounts

#	Question	Marks	HL	Command Term	SL/HL Content
3.1.1	Define the term <i>shares</i> (line 1).	2		Define	External sources of finance: share capital
3.1.2	Define the term <i>donations</i> (line 35).	2		Define	External sources of finance
3.1.3	Define the term <i>finance</i> (line 40).	2		Define	Internal and external sources of finance
3.1.4	Define the term <i>internal sources of finance</i> (line 52).	2		Define	External sources of finance
3.1.5	Define the term <i>external investors</i> (line 52).	2		Define	External sources of finance
3.1.6	Define the term <i>capital expenditure</i> (line 64).	2		Define	Role of finance for businesses: capital expenditure
3.1.7	Define the term <i>sources of finance</i> (line 79).	2		Define	Internal and external sources of finance
3.1.8	Apart from donations (line 35), suggest two other sources of finance for charities (line 35).	2		Suggest	Internal and external sources of finance
3.1.9	Suggest two sources of finance that John Ariki may have used to set up JAC.	2		Suggest	Internal sources of finance
3.1.10	In the context of <i>Utopia</i> , distinguish between internal and external sources of finance.	4		Distinguish	Internal and external sources of finance





For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.1.11	In the context of <i>Utopia</i> and <i>JAC</i> , distinguish between capital expenditure and revenue expenditure.	4		Distinguish	Role of finance for businesses: capital expenditure and revenue expenditure
3.1.12	Outline the role of finance for <i>Utopia's</i> revenue expenditure.	4		Outline	Role of finance for businesses: revenue expenditure
3.1.13	In the context of <i>Utopia</i> , explain the difference between internal and external sources of finance.	4		Explain	Internal and external sources of finance
3.1.14	Explain why John Ariki may have refused offers of help from external investors to rebuild <i>Utopia</i> after the natural disaster in 2016 (lines 51 – 52).	4		Explain	Internal and external sources of finance
3.1.15	Explain one advantage and one disadvantage of <i>Utopia</i> using internal sources (line 51) to finance its growth.	4		Explain	Internal and external sources of finance
3.1.16	Outline two sources of finance that John Ariki may have used to set up his sole trader business (line 23).	4		Outline	Internal and external sources of finance
3.1.17	Suggest two alternative ways that <i>Utopia</i> could finance the \$10,000 needed for the printing service (lines 64 – 65).	4		Suggest	Internal and external sources of finance
3.1.18	Discuss the most suitable source of finance if <i>JAC</i> opts to develop its brand in new markets such as Fiji, Samoa and New Zealand (lines 69 – 70).	10		Discuss	The appropriateness, advantages and disadvantages of sources of finance for a given situation



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.2.1	Define the term <i>fixed costs</i> (line 62).	2		Define	Costs and revenues
3.2.2	Define the term <i>cost</i> (lines 50 and 77).	2		Define	Costs and revenues
3.2.3	Define the term <i>revenue streams</i> (lines 55).	2		Define	Costs and revenues
3.2.4	Outline how the total revenues of <i>Utopia</i> might be calculated.	2		Outline	Total revenue and revenue streams, using examples
3.2.5	Outline how the total revenue of <i>JAC</i> might be calculated.	2		Outline	Total revenue and revenue streams, using examples
3.2.6	List two indirect (overhead) costs that <i>Utopia</i> is likely to have.	2		List	Types of costs: direct and indirect/overhead
3.2.7	Identify four different revenue streams for <i>Utopia</i> .	4		Identify	Total revenue and revenue streams, using examples
3.2.8	In the context of <i>Utopia</i> , distinguish between direct and overhead costs.	4		Distinguish	Types of costs: direct and indirect/overhead
3.2.9	In the context of <i>Utopia</i> , distinguish between fixed and variable costs.	4		Distinguish	Types of costs: fixed and variable
3.3.1	Define the term <i>profit</i> (line 69).	2		Define	Aspects of break-even analysis: profit or loss



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.3.2	In the context of <i>JAC</i> , outline the meaning of <i>contribution per unit</i> .	2		Outline	Total contribution versus contribution per unit
3.3.3	<i>JAC</i> sells a small range of espresso coffee and high-quality food (line 24). Explain how <i>JAC</i> might calculate the value of its total contribution.	4		Explain	Total contribution versus contribution per unit
3.3.4	John Ariki is prepared to pay higher prices for Aora coffee (lines 18 -19). Explain how this might affect <i>Utopia's</i> break-even point and profit or loss.	4		Explain	Aspects of break-even: break-even point and profit or loss
3.3.5	Explain two limitations of using break-even analysis as a decision-making tool for <i>Utopia</i> .	4		Explain	The benefits and limitations of break-even analysis
3.4.1	Define the term <i>financial loss</i> (line 49).	2		Define	Final accounts: profit and loss account
3.4.2	In the context of <i>Utopia</i> , define the term <i>sales revenue</i> as reported in its profit and loss account.	2		Define	Final accounts: profit and loss account
3.4.3	Outline the purpose of compiling a balance sheet for <i>Utopia</i> and <i>JAC</i> .	2		Outline	Final accounts: balance sheet
3.4.4	Outline the purpose of compiling a profit and loss account for <i>Utopia</i> and <i>JAC</i> .	2		Outline	Final accounts: profit and loss account



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.4.5	Outline how the value of net fixed assets would be calculated in a profit and loss account for <i>Utopia</i> .	2		Outline	Final accounts: profit and loss account
3.4.6	Outline how the value of gross profit is calculated in a profit and loss account for <i>Utopia</i> .	2		Outline	Final accounts: profit and loss account
3.4.7	Identify two different types of tangible fixed assets that <i>Utopia</i> may report on its balance sheet.	2		Identify	Different types of intangible assets
3.4.8	Identify two different types of intangible fixed assets that <i>Utopia</i> may report on its balance sheet.	2		Identify	Different types of intangible assets
3.4.9	In the context of <i>Utopia</i> , differentiate between current assets and current liabilities.	4		Distinguish	Final accounts: balance sheet
3.4.10	Explain the purpose of compiling final accounts for two different stakeholder groups of <i>Utopia</i> .	4		Explain	The purpose of accounts to different stakeholders
3.4.11	Explain the purpose of compiling final accounts for a company such as <i>Utopia</i> .	4		Explain	The purpose of accounts to different stakeholders
3.4.12	Explain the role of ethics for a company such as <i>Utopia</i> when compiling its final accounts.	4		Explain	The principles and ethics of accounting practice



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.4.13	Explain why <i>Utopia</i> and <i>JAC</i> might need to include the calculation of depreciation when compiling their respective balance sheets.	4	HL	Explain	Final accounts: balance sheet
3.4.14	Analyse the importance of final accounts to any two stakeholder groups of <i>Utopia</i> .	6		Analyse	The purpose of accounts to different stakeholders
3.5.1	Define the term <i>gross profit margin</i> (line 61).	2		Define	Profitability and efficiency ratios: gross profit margin
3.5.2	In the context of <i>Utopia</i> outline the meaning of <i>profitability ratios</i> .	2		Outline	Profitability and liquidity ratio analysis
3.5.3	In the context of <i>Utopia</i> outline the meaning of <i>liquidity ratios</i> .	2		Outline	Profitability and liquidity ratio analysis
3.5.4	Comment on the usefulness of profitability ratios for <i>Utopia</i> .	4		Comment	Profitability and liquidity ratio analysis
3.5.5	Comment on the usefulness of liquidity ratios for <i>Utopia</i> .	4		Comment	Profitability and liquidity ratio analysis
3.5.6	In the context of <i>Utopia</i> , distinguish between gross profit margin (line 61) and net profit margin.	4		Distinguish	Profitability and liquidity ratio analysis



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.5.7	Explain why a high gross profit margin (lines 61 – 62) is important if <i>Utopia</i> produces customised 3D printed souvenirs (lines 59 – 60).	4		Explain	Profitability and liquidity ratio analysis
3.5.8	Explain why <i>Utopia's</i> stakeholders may be interested in its return on capital employed (ROCE) ratio.	4		Explain	Profitability and liquidity ratio analysis
3.5.9	Given <i>Utopia</i> has suffered its first ever financial loss (line 49), explain how John Ariki may need to pay attention to the company's current and acid test ratios.	4		Explain	Profitability and liquidity ratio analysis
3.6.1	In the context of <i>Utopia</i> outline the meaning of <i>efficiency ratios</i> .	2	HL	Outline	Efficiency ratio analysis
3.6.2	In the context of <i>Utopia</i> outline the meaning of the <i>debtors days ratio</i> .	2	HL	Outline	Efficiency ratio analysis
3.6.3	In the context of <i>Utopia</i> outline the meaning of the <i>creditor days ratio</i> .	2	HL	Outline	Efficiency ratio analysis
3.6.4	In the context of <i>Utopia</i> outline the meaning of the <i>gearing ratio</i> .	2	HL	Outline	Efficiency ratio analysis
3.6.5	Comment on why John Ariki might be interested in knowing the debtor days ratio for <i>Utopia</i> .	2	HL	Comment	Efficiency ratio analysis



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.6.6	Comment on the usefulness of efficiency ratios for <i>Utopia</i> .	4		Comment	Efficiency ratio analysis
3.7.1	Comment on two possible causes of liquidity problems for a sole trader such John Ariki's <i>JAC</i> .	4		Comment	Evaluate strategies for dealing with liquidity problems
3.7.2	In the context of <i>Utopia</i> , distinguish between the company's profit and its cash flow.	4		Distinguish	The difference between profit and cash flow
3.7.3	Explain how the working capital cycle might work at <i>Utopia</i> .	4		Explain	The working capital cycle
3.7.4	Explain the value of cash flow forecasts for <i>Utopia</i> .	4		Explain	Cash flow forecasts
3.7.5	Suggest two ways that <i>Utopia</i> could reduce its cash outflows.	4		Explain	Strategies for dealing with cash flow problems
3.7.6	Suggest two ways that <i>Utopia</i> could improve its cash inflows.	4		Explain	Strategies for dealing with cash flow problems
3.7.7	Explain the importance of monitoring the cash flows at <i>Utopia</i> .	4		Explain	Evaluate strategies for dealing with liquidity problems
3.7.8	In the context of <i>Utopia</i> , examine the relationship between investment, profit and cash flow.	6		Examine	The relationship between investment, profit and cash flow.



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
3.8.1	Liza Ariki is proposing expansion into overseas markets (line 67). Explain the value of the payback period as a decision-making tool for Liza.	4		Explain	Investment appraisal: payback period
3.8.2	Liza Ariki is proposing expansion into overseas markets (line 67). Explain the value of the average rate of return (ARR) as a decision-making tool for Liza.	4		Explain	Investment appraisal: average rate of return
3.9.1	Explain the importance of budgeting for a company such as <i>Utopia</i> .	4	HL	Explain	The importance of budgeting for organizations
3.9.2	Explain how <i>Utopia</i> might use variance analysis as part of its strategic planning.	4	HL	Explain	The role of budgets and variances in strategic planning
3.9.3	Explain the role of cost and profit centres in the context of <i>Utopia</i> .	4	HL	Explain	The roles of cost and profit centres
3.9.4	Describe two advantages of preparing annual budgets for <i>Utopia</i> .	4	HL	Describe	The importance of budgeting for organizations
3.9.5	In the context of John Ariki's business interests ( <i>Utopia</i> and <i>JAC</i> ), distinguish between cost and profit centres.	4	HL	Distinguish	The difference between cost and profit centres
3.9.6	Analyse the role of budgets and variances in the strategic planning of <i>Utopia</i> .	6	HL	Analyse	The role of budgets and variances in strategic planning





For use in May 2017

**Unit 4 – Marketing**

#	Question	Marks	HL	Command Term	SL/HL Content
4.1.1	Define the term <i>product oriented</i> (lines 23 – 24).	2		Define	Market orientation versus product orientation
4.1.2	Define the term <i>marketing</i> (line 37).	2		Define	Marketing and its relationship with other business functions
4.1.3	Define the term <i>markets</i> (line 45).	2		Define	Characteristics of the market in which an organization operates
4.1.4	In the context of <i>Utopia</i> , outline the meaning of commercial marketing.	2		Outline	The difference between commercial marketing and social marketing
4.1.5	In the context of <i>Utopia</i> , outline how <i>market share</i> might be calculated.	2		Outline	The role of marketing: market share
4.1.6	Suggest why it might be difficult to measure the market share of <i>Utopia</i> .	2		Suggest	The role of marketing: market share
4.1.7	Suggest why product orientation (line 23 – 24), rather than market orientation, might be important of <i>Utopia</i> .	2		Suggest	Market orientation versus product orientation
4.1.8	In the context of <i>Utopia</i> , explain the difference between production oriented (lines 23 – 24) and market oriented.	4		Explain	The differences between marketing of goods and marketing of services



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.1.9	In the context of <i>Utopia</i> , explain the difference between the marketing of goods and the marketing of services.	4		Explain	The differences between marketing of goods and marketing of services
4.1.10	Examine how the marketing objectives of for-profit organizations such as <i>Utopia</i> may differ from those of non-profit organizations such as charities (line 35).	6		Examine	The marketing objectives of for-profit organizations and non-profit organizations
4.1.11	Compare and contrast the marketing objectives of for-profit organizations such as <i>Utopia</i> and non-profit organizations such as charities (line 35).	6		Examine	The marketing objectives of for-profit organizations and non-profit organizations
4.1.12	In the context of <i>Utopia</i> , examine how marketing strategies evolve in response to changes in customer preferences over time.	6		Examine	How marketing strategies evolve as a response to changes in customer preferences
4.1.13	Discuss how ethics and culture may influence the marketing practices and strategies of <i>Utopia</i> .	10		Discuss	How innovation, ethical considerations and cultural differences may influence marketing practices and strategies in an organization
4.2.1	Define the term <i>positioned</i> (line 3).	2		Define	Product position map/perception map
4.2.2	Define the term <i>positioning</i> (line 55).	2		Define	Product position map/perception map
4.2.3	Outline the elements of a marketing plan for <i>Utopia</i> .	4		Outline	Elements of a marketing plan



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.2.4	In the context of <i>Utopia</i> , explain the role of marketing planning.	4		Explain	The role of marketing planning
4.2.5	Explain how having a unique selling point can help <i>Utopia</i> to differentiate itself.	4		Explain	How organizations can differentiate themselves and their products from competitors
4.2.6	Suggest how <i>Utopia</i> might be able to develop a unique selling point.	4		Suggest	The importance of having a unique selling point/proposition (USP)
4.2.7	Suggest how <i>Utopia</i> might differentiate itself and its products from competitors.	4		Suggest	How organizations can differentiate themselves and their products from competitors
4.2.8	In the context of <i>Utopia</i> , distinguish between a unique selling point and a competitive advantage.	4		Distinguish	How organizations can differentiate themselves and their products from competitors
4.2.9	In the context of <i>Utopia</i> , distinguish between target markets and market segments.	4		Distinguish	The difference between target markets and market segments
4.2.10	In the context of <i>Utopia</i> , distinguish between niche market and mass market.	4		Distinguish	The difference between niche market and mass market
4.2.11	Explain why it is important for <i>Utopia</i> to understand its target markets.	4		Explain	Possible target markets and market segments in a given situation



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.2.12	Explain the usefulness of market segmentation and consumer profiles for <i>Utopia</i> .	4		Explain	How organizations target and segment their market and create consumer profiles
4.2.13	Apply an appropriate marketing mix for the development of new markets such as Fiji, Samoa and New Zealand (lines 67 – 68).	6		Apply	An appropriate marketing mix for a particular product or business
4.2.14	Prepare a marketing mix for <i>Utopia</i> if it opts to produce 3D printed souvenirs (lines 59 – 60).	6		Prepare	An appropriate marketing mix for a particular product or business
4.2.15	Examine the four Ps of the marketing mix for <i>Utopia</i> .	6		Examine	The four Ps of the marketing mix
4.3.1	In the context of <i>Utopia</i> , explain two benefits of sales forecasting.	4	HL	Explain	The benefits and limitations of sales forecasting
4.3.2	In the context of <i>Utopia</i> , explain two limitations of sales forecasting.	4	HL	Explain	The benefits and limitations of sales forecasting
4.4.1	Define the term <i>market research</i> (lines 68 – 69).	2		Define	Why and how organizations carry out market research
4.4.2	Define the term <i>stratified sampling</i> (line 68).	2		Define	Methods of sampling: stratified
4.4.3	Identify two secondary sources of market research that <i>Utopia</i> could use to better understand markets in the Pacific Islands (line 4).	2		Identify	Analyse the role of market research



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.4.4	Outline why <i>Utopia</i> might need to carry out market research (lines 68 – 69).	2		Outline	Why and how organizations carry out market research
4.4.5	Suggest why Liza Ariki might have chosen to use stratified sampling (line 68).	2		Suggest	Methods of sampling: stratified
4.4.6	In the context of <i>JAC</i> , explain one advantage and one disadvantage of using stratified sampling (line 68).	4		Explain	Methods of sampling: stratified
4.4.7	Explain why market research is important for <i>JAC</i> to better understand customers in new markets (lines 69 – 70).	4		Explain	Analyse the role of market research
4.4.8	Liza Ariki conducted market research (line 68) for <i>JAC</i> . Explain two reasons why market research was carried out.	4		Explain	Why and how organizations carry out market research
4.4.9	In the context of <i>JAC</i> , distinguish between qualitative and quantitative research.	4		Distinguish	The difference between qualitative and quantitative research
4.5	PRODUCT				
4.5.1	<i>Utopia</i> is a well-known brand (lines 27 – 28). Define the term <i>brand</i> .	2		Define	Aspects of branding
4.5.2	Define the term <i>brand loyalty</i> (line 43).	2		Define	Aspects of branding: brand loyalty



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.5.3	Define the term <i>brand development</i> ('developing the brand') (line 59).	2		Define	Aspects of branding: development
4.5.4	Outline the meaning of a <i>devalued brand</i> (line 66).	2		Outline	Aspects of branding: brand value
4.5.5	Explain why <i>brand loyalty</i> (line 43) is important for <i>Utopia</i> .	4		Explain	The importance of branding
4.5.6	Explain how <i>Utopia's</i> famous brand (lines 27 – 28) can help it to gain competitive advantages.	4		Explain	The importance of branding
4.5.7	Explain why branding is of importance to <i>Utopia</i> and <i>JAC</i> .	4		Explain	The importance of branding
4.5.8	Explain two advantages of brand identity to <i>Utopia</i> .	4		Explain	The importance of branding
4.5.9	Explain two advantages of brand loyalty (line 43) to <i>Utopia</i> .	4		Explain	The importance of branding
4.5.10	With reference to <i>Utopia</i> , explain two benefits of brand loyalty (line 43).	4		Explain	Aspects of branding: brand loyalty
4.5.11	Explain the role of brand awareness for <i>Utopia</i> if it expands in international markets, such as Fiji, Samoa and New Zealand (lines 67 – 68).	4		Explain	Aspects of branding: brand awareness
4.5.12	Discuss the importance of branding in global markets for <i>Utopia</i> .	10		Discuss	The importance of branding



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.5.13	Liza Ariki is proposing <i>JAC</i> sells its coffee to other markets (line 67). Explain the importance of packaging in this situation.	4		Explain	The importance of packaging
4.5	PRICE				
4.5.14	Define the term <i>prices</i> (lines 17 and 18).	2		Define	Appropriateness of pricing strategies
4.5.15	Comment on the appropriateness of psychological pricing for <i>Utopia</i> .	4		Comment	Appropriateness of pricing strategies
4.5.16	Comment on the appropriateness of price leadership for <i>Utopia</i> .	4		Comment	Appropriateness of pricing strategies
4.5.17	Explain how cost-plus (mark-up) pricing might be used by <i>Utopia</i> .	4		Explain	Appropriateness of pricing strategies
4.5.18	Explain how price discrimination might be used by <i>Utopia</i> .	4		Explain	Appropriateness of pricing strategies
4.5.19	Examine the possible impacts of John Ariki paying his coffee suppliers in Arora much higher prices than those determined on the commodity markets (lines 18 – 19).	6		Examine	Appropriateness of pricing strategies
4.5	PROMOTION				
4.5.20	Define the term <i>word of mouth</i> (line 6).	2		Define	Aspects of promotion



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.5.21	Define the term <i>promotion</i> (line 6).	2		Define	Aspects of promotion
4.5.22	Define the term <i>viral</i> (line 7).	2		Define	The impact of changing technology on promotional strategies
4.5.23	In the context of <i>Utopia</i> , distinguish between above and below the line promotion.	4		Distinguish	Aspects of promotion
4.5.24	Explain the importance of a promotional mix for <i>Utopia</i> .	4		Explain	Aspects of promotion: promotional mix
4.5.25	Explain the importance of public relations for <i>Utopia</i> .	4		Explain	Aspects of promotion: promotional mix
4.5.26	Outline two examples of above the line promotion that are appropriate to <i>Utopia</i> .	4		Outline	Aspects of promotion
4.5.27	Comment on the appropriateness of guerilla marketing for <i>Utopia</i> .	4		Comment	Guerrilla marketing and its effectiveness as a promotional method
4.5.28	In the context of the case study, explain whether the use of social networking websites would be classified as above or below the line promotion.	4		Explain	Aspects of promotion: ATL and BTL promotion
4.5.29	Examine the appropriateness of <i>Utopia</i> relying heavily on word of mouth promotion (line 6).	6		Examine	The impact of changing technology on promotional strategies (such as viral marketing, social media marketing and social networking)





For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.5.30	Discuss the costs and benefits in using internet technologies (such as viral marketing, social media marketing and social networking) to market <i>Utopia</i> .	10		Discuss	The impact of changing technology on promotional strategies
4.5	PLACE				
4.5.31	Define the term <i>distribution</i> (line 28).	2		Define	The importance of place in the marketing mix
4.5.32	Define the term <i>chain</i> (line 35).	2		Define	The effectiveness of different types of distribution channels
4.5.33	Define the term <i>retailers</i> (line 35).	2		Define	The effectiveness of different types of distribution channels
4.5.34	Define the term <i>distribution channels</i> (line 73).	2		Define	The effectiveness of different types of distribution channels
4.5.35	In the context of <i>Utopia</i> , explain the importance of place in the marketing mix.	4		Explain	The importance of place in the marketing mix
4.6.1	Explain the importance of employee–customer relationships to <i>Utopia</i> in marketing its services.	4	HL	Explain	The importance of employee–customer relationships in marketing a service
4.6.2	In the context of <i>JAC</i> explain the importance of delivery processes in the marketing mix of a service.	4	HL	Explain	The importance of delivery processes in marketing mix a service



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.6.3	In the context of <i>Utopia</i> , explain the importance of tangible physical evidence in the marketing of its villas on Ratu.	4	HL	Explain	The importance of tangible physical evidence in marketing a service
4.6.4	Analyse the seven Ps model for <i>Utopia</i> .	6	HL	Analyse	The seven Ps model in a service-based market
4.6.5	Discuss the importance of the extended marketing mix for <i>Utopia</i> .	10	HL	Discuss	The extended mix of seven Ps
4.7.1	Explain two different ways that <i>Utopia</i> can enter international markets in the Pacific islands (lines 67 – 68).	4	HL	Explain	Methods of entry into international markets
4.7.2	In the context of <i>Utopia</i> , explain the role of cultural differences in international marketing.	4	HL	Explain	The role of cultural differences in international marketing
4.7.3	Distinguish between the strategic and operational implications of international marketing for <i>Utopia</i> .	4	HL	Distinguish	The strategic and operational implications of international marketing
4.7.4	Examine the opportunities and threats posed by <i>Utopia</i> entering international markets such as Fiji, Samoa and New Zealand (lines 67 – 68).	6	HL	Examine	The opportunities and threats posed by entry into international markets
4.7.5	Examine the implications of globalization on the international marketing of <i>Utopia</i> .	6	HL	Examine	The implications of globalization on international marketing



For use in May 2017

#	Question	Marks	HL	Command Term	SL/HL Content
4.7.6	Evaluate the opportunities and threats to <i>Utopia</i> posed by entry into international markets such as Fiji, Samoa and New Zealand (lines 67 – 68).	10	HL	Evaluate	The opportunities and threats posed by entry into international markets
4.8.1	In the context of <i>Utopia</i> , outline the meaning of business to consumer (B2C).	2		Outline	Business to consumer (B2C)
4.8.2	Explain two ways in which <i>Utopia</i> might benefit from using e-commerce.	4		Explain	The costs and benefits of e-commerce to firms and consumers
4.8.3	Explain two ways in which customers of <i>Utopia</i> might benefit from the use of e-commerce.	4		Explain	The costs and benefits of e-commerce to firms and consumers
4.8.4	Analyse the effects of e-commerce on the marketing mix of <i>Utopia</i> .	6		Analyse	The effects of changing technology and e-commerce on the marketing mix
4.8.5	Examine the effects of changing technology and e-commerce on <i>Utopia's</i> marketing mix.	6		Examine	The effects of changing technology and e-commerce on <i>Utopia's</i> marketing mix.
4.8.6	Discuss the possible costs and benefits of e-commerce to <i>Utopia</i> .	10		Discuss	The costs and benefits of e-commerce to firms and consumers



For use in May 2017

## Unit 5 – Operations management

#	Question	Marks	HL	Command Term	Learning Outcome
5.1.1	In the context of <i>Utopia</i> , define the term <i>operations</i> (line 37).	2		Define	Operations management and its relationship with other business functions
5.1.2	Explain the role of operations management in service-orientated businesses such as <i>Utopia</i> .	4		Explain	Operations management in organizations producing goods and/or services
5.1.3	Discuss the importance of the triple bottom line (ecological, social and economic sustainability) for <i>Utopia</i> .	10		Discuss	Operations management strategies and practices for ecological, social (human resource) and economic sustainability
5.2.1	Define the term <i>customized production</i> (line 59).	2		Define	Production methods: job/customized production
5.2.2	State two features of <i>customized production</i> (line 59).	2		State	Production methods: job/customized production
5.2.3	Describe two features of <i>customized production</i> (line 59).	4		Describe	Production methods: job/customized production
5.2.4	Explain two possible different methods of production used at <i>JAC</i> .	4		Explain	The most appropriate method of production for a given situation



For use in May 2017

#	Question	Marks	HL	Command Term	Learning Outcome
5.2.5	Explain the need for <i>Utopia</i> to use more than one method of production.	4		Explain	The most appropriate method of production for a given situation
5.3.1	Define the term <i>just-in-time</i> (line 14).	2	HL	Define	Methods of lean production
5.3.2	Define the term <i>quality</i> (line 24).	2	HL	Define	Lean production and quality management
5.3.3	In the context of <i>Utopia</i> , which uses just-in-time (line 14), state two features of lean production.	2	HL	State	Features of lean production
5.3.4	Outline why <i>Utopia</i> uses just-in-time (line 14) to obtain its ingredients for the meals served at its villas.	2	HL	Outline	Features of lean production: just-in-time (JIT)
5.3.5	In the context of <i>Utopia</i> , explain how lean production leads to less waste and greater efficiency.	4	HL	Explain	Features of lean production
5.3.6	Explain how <i>Utopia</i> benefits from the implementation of lean production methods including just-in-time (line 14).	4	HL	Explain	Methods of lean production: kaizen
5.3.7	Explain how <i>Utopia</i> might benefit from the implementation of kaizen (continuous improvements).	4	HL	Explain	Methods of lean production: kaizen
5.3.8	Explain how <i>Utopia</i> might manage quality through the use of total quality management (TQM).	4	HL	Explain	Methods of managing quality: total quality management (TQM)



For use in May 2017

#	Question	Marks	HL	Command Term	Learning Outcome
5.3.9	Explain how <i>Utopia</i> might use cradle to cradle design and manufacturing as part of its values (beliefs) regarding social responsibility (line 58).	4	HL	Explain	Features of cradle to cradle design and manufacturing
5.3.10	Explain the importance of national and international quality standards for a business such as <i>Utopia</i> .	4	HL	Explain	The importance of national and international quality standards
5.3.11	Explain how <i>benchmarking</i> might benefit <i>JAC</i> .	4	HL	Explain	Methods of managing quality: benchmarking
5.3.12	In the context of <i>JAC</i> , distinguish between quality control and quality assurance.	4	HL	Distinguish	Features of quality control and quality assurance
5.3.13	Explain the importance of quality assurance for <i>Utopia</i> .	6	HL	Explain	Features of quality control and quality assurance
5.3.14	Analyse the impact of lean production methods, such as just-in-time (line 14), on <i>Utopia</i> .	6	HL	Analyse	The impact of lean production and TQM on an organization
5.3.15	Examine the impact of lean production and total quality management on <i>Utopia</i> .	6	HL	Examine	The impact of lean production and TQM on an organization
5.4.1	Outline why the location decision is so important for organizations such as <i>Utopia</i> and <i>JAC</i> .	2		Outline	The reasons for a specific location of production
5.5.1	Define the term <i>capacity</i> (line 13).	2	HL	Define	Capacity utilization rate



For use in May 2017

#	Question	Marks	HL	Command Term	Learning Outcome
5.5.2	In the context of <i>Utopia</i> , outline the meaning of the <i>supply chain process</i> .	2	HL	Outline	The supply chain process
5.5.3	In the context of <i>JAC</i> , outline how the productivity rate might be measured.	2	HL	Outline	Productivity rate
5.5.4	In the context of <i>Utopia</i> , distinguish between just-in-time (line 14) and just-in-case.	4	HL	Distinguish	The difference between JIT and just-in-case (JIC)
5.5.5	Explain the importance of an efficient supply chain management for the operations of <i>Utopia</i> .	4	HL	Explain	The supply chain process
5.5.6	Explain the importance of <i>Utopia</i> operating at a high capacity utilization rate.	4	HL	Explain	Capacity utilization rate
5.5.7	Explain two reasons why John Ariki might have deliberately resisted pressures to expand <i>Utopia's</i> capacity (lines 12 – 13).	4	HL	Explain	Production planning: capacity utilization rate
5.6.1	In the context of <i>Utopia</i> and <i>JAC</i> , outline the meaning of product innovation.	2	HL	Outline	Types of innovation: product
5.6.2	Explain the importance of innovation for a business such as <i>Utopia</i> .	4	HL	Explain	The importance of developing goods and services that address customers' unmet needs



For use in May 2017

#	Question	Marks	HL	Command Term	Learning Outcome
5.6.3	In the context of <i>Utopia</i> and <i>JAC</i> , distinguish between adaptive creativity and innovative creativity.	4	HL	Distinguish	The difference between adaptive creativity and innovative creativity
5.6.4	Examine how the pace of change in the coffee retail industry may influence strategies used by <i>JAC</i> .	6	HL	Examine	How pace of change in an industry may influence strategies in an organization
5.7.1	Define the term <i>crisis management</i> (line 50).	2	HL	Explain	The difference between crisis management and contingency planning
5.7.2	Define the term <i>crisis management plan</i> (line 50).	2	HL	Explain	The difference between crisis management and contingency planning
5.7.3	Define the term <i>contingency plan</i> (line 50).	2	HL	Explain	The difference between crisis management and contingency planning
5.7.4	Define the term <i>risks</i> (line 50).	2	HL	Explain	Advantages and disadvantages of contingency planning for a given organization or situation
5.7.5	In the context of the case study, explain the difference between crisis management and contingency planning at <i>Utopia</i> .	4	HL	Explain	The difference between crisis management and contingency planning
5.7.6	Explain two advantages and one disadvantage of contingency planning for <i>Utopia</i> .	6	HL	Explain	The advantages and disadvantages of contingency planning for a given organization or situation





For use in May 2017

#	Question	Marks	HL	Command Term	Learning Outcome
5.7.7	Examine the factors that affect the effectiveness of crisis management at <i>Utopia</i> (lines 49 – 50).	6	HL	Examine	Factors that affect the effectiveness of crisis management
5.7.8	Discuss how far it is possible for John Ariki to deal with a crisis such as a natural disaster (lines 39-40).	10	HL	Discuss	The advantages and disadvantages of contingency planning for a given organization or situation

**BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK**  
**STANDARD LEVEL MOCK EXAM**  
**PAPER 1**  
**CASE STUDY: *Utopia***



For use in May 2017

1 hour 15 minutes

---

**INSTRUCTIONS**

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Utopia* case study for this examination paper
- A clean copy of the Business Management formulae sheet is required
- Section A: answer any **two** questions
- Section B: answer **the** compulsory question
- You are permitted to use a calculator for this examination paper
- Total marks available: 40 marks

## SECTION A

Answer **two** questions from this section.

1. (a) Outline **two** features of a *private limited company* (line 1) as a form of business ownership. [4 marks]
- (b) Paul and Liza are managers at *JAC*. Explain the key functions of management. [6 marks]
  
2. (a) Describe the interests of any **two** external stakeholder groups of *Utopia*. [4 marks]
- (b) Prepare a full SWOT analysis for *Utopia*. [6 marks]
  
3. (a) Define the following terms:
  - (i) *revenue streams* (line 55) [2 marks]
  - (ii) *gross profit margin* (line 61). [2 marks]
- (b) Using the Ansoff matrix, explain product development and market development in the context of *Utopia* and *JAC*. [6 marks]

*There is no additional information in this mock exam paper for Section A.*

## SECTION B

Answer the following question.

4. Liza presented the following economic data at a recent meeting with John and Paul. Her father and brother are concerned with the **capital expenditure** needed to expand overseas. Concerned with the risks, John is only prepared to expand into one of these markets initially. Liza is convinced that *JAC*'s brand loyalty will increase its chances of success. However, she is fully aware that John, being a **paternalistic leader**, will make the final decision.

**Table 1 – Economic data for selected countries (January 2017):**

	<b>Fiji</b>	<b>Samoa</b>	<b>NZ</b>
Economic growth rate	4.2%	1.63%	1.1%
Unemployment rate	7.9%	n/a	4.9%
Inflation rate	3.9%	0.8%	0.4%
GDP per capita (USD)	\$4,042	\$3,641	\$36,464
Population	0.87 million	0.193 million	4.6 million
Ease of Doing Business ranking <sup>#</sup>	97 <sup>th</sup>	89 <sup>th</sup>	1 <sup>st</sup>
Corporate tax rate	20%	27%	28%
Personal income tax rate	20%	27%	33%
Sale tax rate	9%	n/a	15%

Adapted from [www.tradingeconomics.com/](http://www.tradingeconomics.com/) and Central Bank of Samoa ([www.cbs.gov.ws/](http://www.cbs.gov.ws/))

<sup>#</sup> World Bank Group's annual ranking of countries – a low numerical value indicates a higher ranking due to simpler regulations for doing business and stronger protection of property rights.

Note: n/a = data not available

- (a) Define the term *paternalistic leader* (line 21). [2 marks]
- (b) Explain why brand loyalty (line 43) is important for *JAC*. [4 marks]
- (c) In the context of *JAC*, distinguish between capital expenditure (line 64) and revenue expenditure. [4 marks]
- (d) Using the data in Table 1 above, and information in the case study, recommend to John which of these markets (Fiji, Samoa or New Zealand) *JAC* should sell its coffee to. [10 marks]

**BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK**  
**STANDARD LEVEL MOCK EXAM – MARKS SCHEME**  
**PAPER 1**  
**CASE STUDY: *Utopia***



For use in May 2017

---

**TEACHERS' NOTES**

- These are suggested answers only.
- Teachers should use their professional judgment in awarding answers that may not be included in this marks scheme.
- The additional information included in Section B is fictitious, although the data in Table 1 are correct at the time of writing.
- The additional information and data in Section B are included for illustrative purposes only, in order to give students practise for the final examinations in May 2017.

## SECTION A

1. (a) **Outline two features of a *private limited company* (line 1) as a form of business ownership.** [4 marks]

Key features include the following points:

- Shares in a private limited company cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders (currently only John Ariki).
- In theory, the company should be able to raise more capital than a sole trader or partnership as it has greater access to capital markets and investors.
- Shareholders have limited liability, i.e. they cannot lose more than the value of their investment in the company if it defaults.
- Shareholders of the company have part ownership of the business so are entitled to a share of any dividends distributed by the firm.
- As co-owners of the company, shareholders have voting rights based on the number of shares they own.
- The private limited company needs to prepare and publish its final accounts – this is a legal requirement and the accounts need to be checked and audited (approved) by an independent chartered accountant.
- The company must have at least one shareholder and director (who can be the same person), plus a company secretary (who does not have to be a shareholder).
- Many private limited companies are family-owned businesses, such as *Utopia*, as there is less risk of a hostile takeover.
- *Accept any other relevant feature of private limited companies.*

*Award [1 mark] for each correct key feature identified, and [1 mark] for the development of each of these key features in the context of *Utopia*, up to a maximum of [2 marks].*

- (b) **Paul and Liza are managers at *JAC*. Explain the key functions of management.** [6 marks]

Key functions of management may include:

- Henri Fayol's key functions of management: planning, organizing, commanding, coordinating and controlling. These management functions are task-oriented, rather than people-oriented. This seems fitting for Paul's role as operations manager at *JAC*. However, it could equally apply to Liza's role as the manager in charge of *JAC*'s finances.
- Charles Handy's key functions of management: addressing and solving problems, just like a general practitioner (doctor) would do. These management functions include identifying problems (symptoms), investigating the causes, deciding what to do and implementing the plan. For example, both Paul and Liza are investigating ways to increase the revenue streams for *JAC* and *Utopia*.

- Peter F. Drucker’s key functions of management: setting strategic objectives in order to manage the business and its people; and to establish the future direction of the organization. This applies to *JAC* as Paul and Liza took charge of the business in 2011 and now need to look at ways to ensure *JAC*’s survival.
- Other key functions of management include: developing and motivating employees, measuring and evaluating employee performance, holding workers accountable for organizational objectives, and fostering professional networks. Liza, as HR manager, would be in charge of these functions.
- *Accept any other relevant key function of management that is explained.*

*Award a maximum of [2 marks] if the key functions of management are outlined. The answer may lack depth of explanation.*

*Award a maximum of [4 marks] if the explanation lacks application.*

*Award [6 marks] if the explanation has depth and is applied to Utopia.*

2. (a) **Describe the interests of any two external stakeholder groups of Utopia.** **[4 marks]**

External stakeholders of *Utopia* and their interests include:

- Customers (such as film stars), such as exclusivity on the beautiful island of Ratu, a luxury holiday experience, exceptional levels of comfort and service, and value for money (e.g. private boat and crew).
- Suppliers, e.g. competitive prices for the ingredients (for meals served at *Utopia*’s villas) and the award-winning Aora coffee (suppliers would like to continue receiving prices above those determined in commodity markets).
- Local communities, e.g. job opportunities on the island of Ratu.
- External investors, e.g. growth prospects and financial returns from investing in *Utopia*.
- Competitors (such as other luxury holiday providers on the island), e.g. higher market share, customer loyalty and market leadership.
- *Accept description of any other relevant external stakeholder of Utopia.*

**Mark as 2 + 2.**

*Award [1 mark] for each valid external stakeholder group identified, and [1 mark] for the development of the stakeholder group’s interest in Utopia, up to a maximum of [2 marks].*

*No marks can be awarded if the student refers to internal stakeholders.*

(b) **Prepare a full SWOT analysis for *Utopia*.**

[6 marks]

A SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect business operations. The internal factors can be classified as either strengths or weaknesses within the organization. The external factors can be classified into opportunities or threats.

Note: the question refers to *Utopia*, so references to *JAC* are not required.

**Strengths** could include the following:

- As the sole shareholder of *Utopia*, John Ariki can make swift decisions and has total autonomy.
- *Utopia* is a private limited company (line 1), so the owner benefits from limited liability.
- *Utopia* offers a once-in-a-lifetime experience for tourists (line 3), with its luxury villas and exceptional level of comfort and service (line 4).
- The company has frequent visitors who are film stars (line 3).
- *Utopia* is positioned as a unique experience for tourists in the Pacific Islands (lines 3 – 4).
- *Utopia* relies on word of mouth promotion (line 6), which is literally free of charge.
- *Utopia* uses a just-in-time system for obtaining the ingredients for the meals served at its villas (lines 14), which enables the firm to be lean (efficient) and to serve fresh, quality meals. It also uses JIT for its award-winning coffee from Aora (line 15).
- *Utopia* sells ethically produced fair trade coffee (line 17).
- *Utopia* is set in a beautiful location (line 19).
- The three pillars of the (famous) *Utopia* brand are: its location, the local craftsmen and materials, and the local food and coffee (lines 19 – 21).
- *Utopia* is successful in selling Aora coffee (line 22).
- *Utopia* is financed by internal sources, so there are fewer financial liabilities for the business.
- John Ariki has a hands-on approach to his business as he does not want to compromise the vision and social responsibility of *Utopia* (lines 57 – 58).

**Weaknesses** could include the following:

- *Utopia* buys coffee from Aora at much higher prices than coffee suppliers in Indonesia and Papua New Guinea (lines 16 – 17) and other alternative suppliers; this could result in lower profit margins and/or higher prices being charged.
- Similarly, *Utopia*'s costs of buying coffee are well above market prices determined on commodity markets (line 19).
- It has recently faced liquidity issues due to the substantial fall in bookings (line 48).
- *Utopia* has recorded its first ever financial loss (line 49).
- The higher than expected costs of rebuilding *Utopia* in 2016 (lines 76 – 77) also harmed its profits and liquidity.



**Opportunities** could include:

- Greater marketing opportunities to exploit, e.g. the growing use of social media, rather than relying on word of mouth promotion (line 6).
- Wider opportunities to use skilled local craftsmen (lines 10 – 11), which reflect the culture of the Pacific Islands (lines 11 – 12).
- Opportunities to work with external stakeholders to expand *Utopia's* capacity (lines 12 – 13).
- Coffee growers in Indonesia and Papua New Guinea can offer their best coffee at a much lower price (lines 15 – 16) than suppliers in Aora.
- Opportunities for *Utopia* to contribute to the local community (lines 38 – 39).
- Business opportunities beyond a local level (line 42).
- External stakeholders could be involved to raise finance (line 52).
- Opportunities for new revenue streams (line 55).
- The prospect of selling 3D printed souvenirs to develop the *Utopia* brand (lines 59 – 60), with high profit margins (lines 61 – 62).
- Market research reveals that some profit can be earned in Fiji and Samoa and considerable profit in New Zealand (lines 69 – 70).
- Improved internet connections and technology can help to reduce the costs of 3D printing processes (lines 60 – 61).
- Growth opportunities through strategic alliances, joint ventures or franchising (lines 74 – 75).
- Greater opportunities to embrace internet technologies, e.g. *Utopia* can use software apps such as Twitter, Facebook, TripAdvisor.com and LinkedIn.
- Growth through alternative sources of (external) finance (line 79).

**Threats** could include:

- The possibility of another natural disaster (line 46) on the island of Ratu.
- The natural disaster of 2016 threatens *Utopia's* long-term viability (lines 55 – 56).
- High fixed costs of 3D printing equipment (line 62).
- High risks of getting involved in providing an untested printing service (line 65).
- Risk of some people perceiving the 3D-printed souvenirs as inauthentic or cheap, thereby reducing *Utopia's* brand value (lines 65 – 66).
- *Utopia* could become vulnerable as a takeover target or face intense rivalry, perhaps by large global competitors, e.g. *Utopia's* success might attract the attention of rivals such as Four Seasons (the luxury hotel group).

*Award a maximum of [2 marks] if a SWOT analysis is provided without any explanation or application to Utopia.*

*Award a maximum of [4 marks] if the response lacks depth in the explanation. The SWOT analysis may be incomplete.*

*Award up to [6 marks] if the response is thorough and the SWOT analysis is competently applied to Utopia.*

3. (a) **Define the following terms:**

(i) **revenue streams (line 55)**

**[2 marks]**

Revenue streams are the sources of inflows of money or income from a particular business activity over a period of time. *Utopia*'s revenue streams include earnings from visitors who stay at the villas on Ratu and customers who buy meals served at the villas. John is aware that his businesses need alternative revenue streams, especially after suffering its first ever financial loss in 2016.

*Award [1 mark] for a description that shows some understanding of revenue streams or an answer that shows no application to the Utopia case study.*

*Award [2 marks] for an answer with a clear definition of revenue streams, with clear application to the Utopia case study.*

(ii) **gross profit margin (line 61).**

**[2 marks]**

The GPM is a profitability ratio that measures the proportion of gross profit generated from the firm's sales revenue. Paul believes there is a high GPM on the production of the 3D printed customized souvenirs for *Utopia*, due to the relatively low cost of making the souvenirs.

*Award [1 mark] for a description that shows some understanding of gross profit margin or an answer that shows no application to the Utopia case study.*

*Award [2 marks] for an answer with a clear definition of gross profit margin, with clear application to the Utopia case study.*

*Note: there is no need to show the formula for GPM as this is already included in the formula sheet.*

- (b) Using the Ansoff matrix, explain product development and market development in the context of *Utopia* and *JAC*. [6 marks]

The Ansoff matrix is a management planning tool used to illustrate four generic growth options based on new and existing products, and new and existing markets. It allows managers to identify opportunities for market penetration, product development, market development, and diversification.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Product development is a growth strategy in Ansoff's matrix that involves *Utopia* trying to create new goods and services targeted at its existing markets, e.g. 3D printed souvenirs. It is the process of bringing a new product or newly rebranded one to the market.

Market development is the growth strategy in Ansoff's matrix where a business sells its existing products in new markets, i.e. *JAC* sells the same products (Aora coffee), but these are sold to a new group of customers (in Samoa, Fiji and New Zealand).

*Award a maximum of [2 marks] if the response is inaccurate, lacks explanation or lacks application to Utopia and JAC.*

*Award a maximum of [4 marks] if the response lacks depth in the explanation. There is an attempt at application to Utopia and JAC.*

*Award up to [6 marks] if the explanation has depth and the Ansoff matrix is accurately applied to Utopia and JAC.*

## SECTION B

4. (a) **Define the term *paternalistic leader* (line 21).** [2 marks]

A paternalistic leader is someone who treats employees as if they were family members, by guiding and consulting them. The leader has extensive authority over employees but decisions are made which s/he believes are in the best interest of the workforce. John Ariki is described as a paternalistic leader.

*Candidates are **not** expected to word their definition exactly as above.*

*Award [1 mark] for a definition that only demonstrates partial understanding.*

*Award [2 marks] for a definition that demonstrates clear understanding of the term *paternalistic*.*

- (b) **Explain why brand loyalty (line 43) is important for JAC.** [4 marks]

Brand loyalty measures the degree to which customers consistently repurchase the same brand of a product over time rather than buying from rival suppliers. Strong brand loyalty exists when customers are committed to a certain brand (such as JAC) and make repeat purchases time and time again.

Marketing strategies designed to cultivate loyal customers can give organizations competitive advantages, such as higher sales revenue due to repeat customers continuing to buy food and coffee at JAC. Brand loyalty is really tested when prices are increased; with strong brand loyalty, JAC is able to continue charging premium prices.

*Accept any other relevant explanation.*

*Award up to [2 marks] for an answer that shows some knowledge of the importance of brand loyalty. The answer may lack depth and/or application to JAC.*

*Award up to [4 marks] for an accurate answer that shows good knowledge of the importance of brand loyalty. The answer is competently applied to JAC.*

- (c) **In the context of JAC, distinguish between capital expenditure (line 64) and revenue expenditure.** [4 marks]

Capital expenditure refers to spending by JAC on acquiring, maintaining and/or upgrading fixed assets in order to broaden its capital base. It represents a financial investment in JAC, e.g. the purchase of coffee grinding equipment and machinery or outlets (buildings) to sell their coffee.

By contrast, revenue expenditure is the money that JAC needs for the day-to-day running of its business. Examples include the purchase of Aora coffee, wages, rent, insurance and utilities bills for running JAC.

*Accept any other relevant distinguishing feature of capital and revenue expenditure.*

*Award up to [2 marks] for an answer that shows some understanding of the two terms, although the answer may lack a clear distinction or appropriate use of examples. There is limited, if any, application.*

*Award up to [4 marks] for an answer that shows good understanding of the two terms, with a clear distinction and/or appropriate use of examples demonstrated. There is good application of the Utopia case study.*

- (d) **Using the data in Table 1 above, and information in the case study, recommend to John which of these markets (Fiji, Samoa or New Zealand) JAC should sell its coffee to.** [10 marks]

Responses may include:

- Fiji has the highest economic growth rate (4.2%), suggesting better economic prospects for customers in Fiji. This means they may purchase more goods and services, including JAC coffee.
- However, the unemployment rate in Fiji is higher (7.9%) than the rate in New Zealand (4.9%), which suggests lower incomes for many more people there.
- Fiji's inflation rate (3.9%) is much higher than that of Samoa's (0.8%) and NZ's (0.4%). Higher inflation means average prices of goods and services are rising, which can reduce the demand for Aora coffee. There is greater price stability in the other two locations.
- The average person in NZ is significantly wealthier (\$36,464 per year) than the average Samoan (\$3,641) or Fijian (\$4,042). Hence, New Zealanders are, on average, more able to purchase Aora coffee.
- The considerably higher population in NZ (4.6 million) means a much larger potential customer base than in Fiji (0.87m) and Samoa (0.193m). However, this could also mean that there are significantly more established competitors in New Zealand.
- The World Bank's Ease of Doing Business makes expanding to NZ an obvious choice (as it is ranked first in the world). Trying to do business in Samoa (ranked 89<sup>th</sup>) and Fiji (ranked 97<sup>th</sup>) seems unpromising and far more difficult.

- The corporate tax rate in NZ is the highest (28%), although only slightly higher than that in Samoa (27%). Based on this measure, Fiji is the best option as the government only takes 20% from a firm's profits.
- Similarly, income tax is lowest in Fiji, meaning people have a higher disposable income (so can buy more goods and services, including coffee). However, in absolute terms, the average New Zealander earns significantly more than the average Fijian, despite its higher rate of personal income tax.
- New Zealand has a much higher rate of sales tax, suggesting that customers would pay a higher price for coffee. This could put off some customers.
- The case study mentions that considerable profits could be earned by selling to New Zealand (line 70), whereas the market research suggests only some profit potential in Fiji and Samoa (line 69).
- However, more information would be useful in order to address these questions, e.g. the financial costs of forming a joint venture, strategic alliance or franchise in each of these 3 countries.
- *Accept any other valid recommendation that is justified.*

*Note: there is no need for students to use all of the economic data in Table 1.*

*For a purely theoretical answer, or one without effective use of the case study material, award a maximum of [4 marks].*

*Award a maximum of [5 marks] if the answer is unbalanced or lacks depth of discussion.*

*Award a maximum of [6 marks] if there is use of the data in both Table 1 and the case study but the discussion lacks some depth of discussion.*

*Award a maximum of [8 marks] if there is good use of the data in Table 1 and application of the case study material, but there are no clear or justified recommendations.*

*For the full [10 marks], there is effective use of the data in Table 1 and the case study, with a clear and balanced discussion of the recommendation to sell JAC coffee in Fiji, Samoa or New Zealand.*

**BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK**  
**HIGHER LEVEL MOCK EXAM**  
**PAPER 1**  
**CASE STUDY: *Utopia***



For use in May 2017

2 hours 15 minutes

---

**INSTRUCTIONS**

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Utopia* case study for this examination paper
- A clean copy of the Business Management formulae sheet is required
- Section A: answer any **two** questions
- Section B: answer **the** compulsory question
- Section C: answer **the** compulsory question
- You are permitted to use a calculator for this examination paper
- Total marks available: 60 marks

## SECTION A

Answer **two** questions from this section.

1. (a) Outline **two** features of a *private limited company* (line 1) as a form of business ownership. [4 marks]
- (b) Explain the advantages for *Utopia* of internal growth (line 51) rather than external growth. [6 marks]
  
2. (a) In the context of *Utopia*, distinguish between management and leadership. [4 marks]
- (b) Explain **two** advantages and **one** disadvantage of contingency planning (line 50) for *Utopia*. [6 marks]
  
3. (a) Define the following terms:
  - (i) *entrepreneur* (line 1). [2 marks]
  - (ii) *customized produced* (line 59). [2 marks]
- (b) Prepare a full SWOT analysis for *Utopia*. [6 marks]

*There is no additional information in this mock exam paper for Section A.*



## SECTION B

Answer the following question.

4. Liza's **quantitative research** was presented to John and Paul, showing the likely outcomes of the proposed investments in Fiji, Samoa and New Zealand. The data are based on forecasts of the economic conditions in these countries.

Option	Economic conditions	Probability	Forecast revenue (US\$)	Cost (US\$)
Fiji	Improve	50%	\$110,000	\$60,600
	Unchanged	30%	\$70,000	
	Worsen	20%	\$10,000	
New Zealand	Improve	60%	\$190,000	\$90,800
	Unchanged	30%	\$110,000	
	Worsen	10%	\$40,000	
Samoa	Improve	40%	\$100,000	\$50,300
	Unchanged	30%	\$70,000	
	Worsen	30%	(\$10,000)	

Liza's **qualitative research** revealed that New Zealand already has a large number of well-established coffee chains. *JAC* would need to compete with global giants such as Starbucks, Tully's Coffee, Gloria Jean's Coffees, Caribou Coffee and McDonald's McCafé. Most of these firms buy at least some of their coffee beans from Brazil, the world's largest coffee producer. Brazil has around 10,000 square miles of land dedicated to growing about a third of the world's coffee bean output, so its customers (such as Starbucks) are able to benefit from huge **economies of scale**.

Given *Utopia's* financial loss and the desire to minimise risks of external growth, John is only prepared to consider expanding to one of these markets.

- (a) Define the term *economies of scale*. [2 marks]
- (b) In the context of *Utopia* and *JAC*, distinguish between qualitative and quantitative market research. [4 marks]
- (c) Explain why brand loyalty (line 43) is important for *Utopia* and *JAC*. [4 marks]
- (d) Use the data above to construct a decision tree, and apply the outcome with information in the case study to recommend which country *JAC* should expand to. [10 marks]

## SECTION C

Answer the following question.

### 5. Utopia, 4 months later...

John Ariki has considered the proposals from Paul and Liza. He has rejected the idea of producing 3D printed souvenirs as he feels there are better options for growth, especially as the service has been untested.

John has conducted research regarding expansion of *Utopia* into the ecotourism industry. This would align well with *Utopia's* values and social responsibilities. Ecotourism focuses on tourism that is socially responsible to the natural environment and ecosystems, such as the conservation of natural habitats and wildlife. It is about making visits to *Utopia* and Ratu sustainable, whilst allowing visitors to enjoy the unique and exotic natural surroundings of the island. John would like to expand his coffee education service and allow tourists to buy the coffee they personally grind. He also believes ecotourism will provide *Utopia* with visitors all year round.

After the natural disaster in 2016, many of *Utopia's* workers had to look for jobs somewhere else or started their own businesses. Some were unable to find jobs elsewhere, so John feels expansion into ecotourism could create employment opportunities in the local community.

John is still considering Liza's proposal to expand in overseas markets. However, he feels that *JAC* cannot compete on both price and quality. Having always had pride in the quality of the coffee served at *Utopia* and *JAC*, John suggested offering the best Aora coffee at a premium price of \$12 per cup and adding value to the overall customer experience. Paul is in support of this idea, but Liza is concerned that selling coffee drinks at such a high price will be unsuccessful in markets dominated by large multinational coffee chains.

### Item 1 – Coffee prices (US cents per pound, Jan 2007 – Jan 2017)

Factors affecting coffee prices include:

- Currency fluctuations
- Weather conditions
- Supply chain efficiency (as this impacts on costs of production)
- Available supply of coffee beans
- Demand for coffee



Source:

[www.nasdaq.com/markets/coffee.aspx?timeframe=10y](http://www.nasdaq.com/markets/coffee.aspx?timeframe=10y)

(This question continues on the following page)

**Item 2 – Economic data for selected countries (January 2017):**

	<b>Fiji</b>	<b>Samoa</b>	<b>NZ</b>
Economic growth (GDP growth rate)	4.2%	1.63%	1.1%
Unemployment rate	7.9%	n/a	4.9%
Inflation rate	3.9%	0.8%	0.4%
GDP per capita (USD)	\$4,042	\$3,641	\$36,464
Population	0.87 million	0.193 million	4.6 million
Ease of Doing Business ranking <sup>#</sup>	97 <sup>th</sup>	89 <sup>th</sup>	1 <sup>st</sup>
Corporate tax rate	20%	27%	28%
Personal income tax rate	20%	27%	33%
Sale tax rate	9%	n/a	15%

Adapted from [www.tradingeconomics.com/](http://www.tradingeconomics.com/) and Central Bank of Samoa ([www.cbs.gov.ws/](http://www.cbs.gov.ws/))

<sup>#</sup> World Bank Group's annual ranking of countries – a low numerical value indicates a higher ranking due to simpler regulations for doing business and stronger protection of property rights.

Note: n/a = data not available

Using the case study and the additional information in Section B and Section C, recommend which growth option(s) John Ariki should choose for *Utopia* and *JAC*.

[20 marks]

**BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK**  
**HIGHER LEVEL MOCK EXAM – MARKS SCHEME**  
**PAPER 1**  
**CASE STUDY: *Utopia***



For use in May 2017

---

**TEACHERS' NOTES**

- These are suggested answers only
- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme
- The data included in Section B are correct at the time of writing. Nevertheless, it is provided for illustrative purposes only, in order to give students practise for the final examinations in May 2017
- The additional information in Section C is for illustrative purposes only, again to give students examination practise. The data included in Section C are correct at the time of writing.

## SECTION A

1. (a) **Outline two features of a *private limited company* (line 1) as a form of business ownership.** [4 marks]

Key features include the following points:

- Shares in a private limited company cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders (currently only John Ariki).
- In theory, the company should be able to raise more capital than a sole trader or partnership as it has greater access to capital markets and investors.
- Shareholders have limited liability, i.e. they cannot lose more than the value of their investment in the company if it defaults.
- Shareholders of the company have part ownership of the business so are entitled to a share of any dividends distributed by the firm.
- As co-owners of the company, shareholders have voting rights based on the number of shares they own.
- The private limited company needs to prepare and publish its final accounts – this is a legal requirement and the accounts need to be checked and audited (approved) by an independent chartered accountant.
- The company must have at least one shareholder and director (who can be the same person), plus a company secretary (who does not have to be a shareholder).
- Many private limited companies are family-owned businesses, such as *Utopia*, as there is less risk of a hostile takeover.
- *Accept any other relevant feature of private limited companies.*

**Mark as 2 + 2.**

*Award [1 mark] for each correct key feature identified, and [1 mark] for the development of each of these key features in the context of Utopia, up to a maximum of [2 marks] per feature.*

- (b) **Explain the advantages for *Utopia* of internal growth (line 51) rather than external growth.** [6 marks]

Internal growth (also known as organic growth) occurs when a business expands using its own resources to increase the scale of its operations.

External growth (also known as inorganic growth) is the expansion of an organization using third parties, such as through a strategic alliance, joint venture or franchise.

John Ariki was against the use of external investors to help finance the growth of his businesses. Some of the advantages of internal growth:

- John is able to retain better control of *Utopia*.
- The business is easier to manage and coordinate as there are no external partners to deal with (unlike the case of strategic alliances, joint ventures and franchising).
- John is able to retain profits earned by *Utopia* without having to distribute a proportion of this to investors and partners.
- External growth would entail higher costs, with more potential problems (such as culture clashes) that come with franchising, strategic alliances and joint ventures.
- *Accept any other relevant advantage of internal growth that is explained in the context of Utopia.*

*Note:* Explanations should consider at least two advantages.

*Award a maximum of [2 marks] if only one advantage is explained or there is very little, if any, application.*

*Award a maximum of [4 marks] if the response lacks depth but at least two advantages are covered. Application might be weak in some areas.*

*Award [6 marks] if the explanation of at least two advantages has depth and the response is applied well to Utopia.*

**2. (a) In the context of *Utopia*, distinguish between management and leadership. [4 marks]**

Management encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational aims and objectives. Managers focus on problem-solving and decision-making so that goals can be achieved within a set time frame. They are task-oriented. Paul and Liza are managers at *JAC*.

Leadership is the art of influencing, inspiring and motivating others to accomplish a common goal. It plays a key role in an organization and involves setting a clear vision and direction for others to follow. There are various 'styles' of leadership, although all leaders take on a degree of risk and drive the strategic vision of their organization. They are people-oriented, spending much of their time building professional relationships. John is described as a paternalistic leader. Whereas Paul and Liza perform functions to reach *JAC*'s organizational goals, John is the one who sets and establishes the values, vision and strategic direction of the organization.

*Accept any other relevant distinction written in the context of the case study.*

*Award up to [2 marks] for an answer that shows some understanding of the two terms, although the answer may lack a clear distinction or appropriate use of examples.*

*Award up to [4 marks] for an answer that shows good understanding of the two terms, with a clear distinction and/or appropriate use of examples from the case study.*

**(b) Explain two advantages and one disadvantage of contingency planning (line 50) for *Utopia*. [6 marks]**

Contingency plans are the proactive policies and procedures designed to deal with a crisis (emergency) to ensure the continuity of the business. Following the natural disaster on the island in 2016, John Ariki decided to create a contingency plan based on costs, time, risks and safety.

Advantages of contingency planning include:

- Establishes procedures to deal with a crisis, should it occur, by anticipating ‘what if’ scenarios and planning accordingly to deal with these.
- Helps the organization to be better prepared should the crisis occur for real, such as the outbreak of a fire at the resort (the villas seem to be very vulnerable to a fire).
- Having well thought out plans can help *Utopia* to avoid potentially high costs of dealing with a crisis, such as lawsuits or bad publicity that comes with a case of food poisoning, for example.
- It is based on the notion that the safety of people (such as employees, customers and managers) must come as the top priority.

Disadvantages of contingency planning include:

- Contingency planning can be costly to an organization, as it requires management time. Money is also needed to train staff to handle a range of different emergency scenarios. For *Utopia*, it is highly likely that the staff will need regular health and safety training, for example.
- There may be a huge opportunity cost in spending a lot of time and money on preparing for an event (such as a second natural disaster) that may never materialise.
- Similarly, contingency plans may not cover all possible scenarios as they are unforeseeable.

*Accept any other relevant advantage or disadvantage written in the context of the case study.*

**Mark as 2 + 2 + 2.**

*Award [1 mark] for each valid advantage or disadvantage identified, and [1 mark] for the development of each of these arguments. Award up to [4 marks] for the advantages and [2 marks] for the disadvantage.*

3. (a) **Define the following terms:**

(i) ***entrepreneur (line 1)*** [2 marks]

An entrepreneur is someone who bears the financial risks of starting and managing a business or a commercial venture. The entrepreneur can develop new ideas or find a new way of offering an existing product. John Ariki is the entrepreneur behind *Utopia* and *JAC*. He assumes the financial risks and rewards of running these businesses.

*Award [1 mark] for a description that shows some understanding of the term or an answer that shows no application to the Utopia case study.*

*Award [2 marks] for an answer with a clear definition of 'entrepreneur', with clear application to the Utopia case study.*

(ii) ***customized produced (line 59).*** [2 marks]

Also known as **job production**, customized production is a method of production which involves the manufacturing of unique or one-off orders catered to the needs of individual customers. Paul Ariki is proposing the use of 3D printing to produce customized souvenirs to further develop the *Utopia* brand.

*Award [1 mark] for a description that shows some understanding of customized production or an answer that shows no application to the Utopia case study.*

*Award [2 marks] for an answer with a clear definition of customized production, with clear application to the Utopia case study.*

(b) **Prepare a full SWOT analysis for Utopia.** [6 marks]

A SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect business operations. The internal factors can be classified as either **strengths** or **weaknesses** within the organization. The external factors can be classified into **opportunities** or **threats**.

Note: the question refers to *Utopia*, so references to *JAC* are not required.

**Strengths** could include the following:

- As the sole shareholder of *Utopia*, John Ariki can make swift decisions and has total autonomy.
- *Utopia* is a private limited company (line 1), so the owner benefits from limited liability.



- *Utopia* offers a once-in-a-lifetime experience for tourists (line 3), with its luxury villas and exceptional level of comfort and service (line 4).
- The company has frequent visitors who are film stars (line 3).
- *Utopia* is positioned as a unique experience for tourists in the Pacific Islands (lines 3 – 4).
- *Utopia* relies on word of mouth promotion (line 6), which is literally free of charge.
- *Utopia* uses a just-in-time system for obtaining the ingredients for the meals served at its villas (lines 14), which enables the firm to be lean (efficient) and to serve fresh, quality meals. It also uses JIT for its award-winning coffee from Aora (line 15).
- *Utopia* sells ethically produced fair trade coffee (line 17).
- *Utopia* is set in a beautiful location (line 19).
- The three pillars of the (famous) *Utopia* brand are: its location, the local craftsmen and materials, and the local food and coffee (lines 19 – 21).
- *Utopia* is successful in selling Aora coffee (line 22).
- *Utopia* is financed by internal sources, so there are fewer financial liabilities for the business.
- John Ariki has a hands-on approach to his business as he does not want to compromise the vision and social responsibility of *Utopia* (lines 57 – 58).

**Weaknesses** could include the following:

- *Utopia* buys coffee from Aora at much higher prices than coffee suppliers in Indonesia and Papua New Guinea (lines 16 – 17) and other alternative suppliers; this could result in lower profit margins and/or higher prices being charged.
- Similarly, *Utopia*'s costs of buying coffee are well above market prices determined on commodity markets (line 19).
- It has recently faced liquidity issues due to the substantial fall in bookings (line 48).
- *Utopia* has recorded its first ever financial loss (line 49).
- The higher than expected costs of rebuilding *Utopia* in 2016 (lines 76 – 77) also harmed its profits and liquidity.

**Opportunities** could include:

- Greater marketing opportunities to exploit, e.g. the growing use of social media, rather than relying on word of mouth promotion (line 6).
- Wider opportunities to use skilled local craftsmen (lines 10 – 11), which reflect the culture of the Pacific Islands (lines 11 – 12).
- Opportunities to work with external stakeholders to expand *Utopia*'s capacity (lines 12 – 13).
- Coffee growers in Indonesia and Papua New Guinea can offer their best coffee at a much lower price (lines 15 – 16) than suppliers in Aora.
- Opportunities for *Utopia* to contribute to the local community (lines 38 – 39).
- Business opportunities beyond a local level (line 42).
- External stakeholders could be involved to raise finance (line 52).
- Opportunities for new revenue streams (line 55).
- The prospect of selling 3D printed souvenirs to develop the *Utopia* brand (lines 59 – 60), with high profit margins (lines 61 – 62).

- Market research reveals that some profit can be earned in Fiji and Samoa and considerable profit in New Zealand (lines 69 – 70).
- Improved internet connections and technology can help to reduce the costs of 3D printing processes (lines 60 – 61).
- Growth opportunities through strategic alliances, joint ventures or franchising (lines 74 – 75).
- Greater opportunities to embrace internet technologies, e.g. *Utopia* can use software apps such as Twitter, Facebook, TripAdvisor.com and LinkedIn.
- Growth through alternative sources of (external) finance (line 79).

**Threats** could include:

- The possibility of another natural disaster (line 46) on the island of Ratu.
- The natural disaster of 2016 threatens *Utopia*'s long-term viability (lines 55 – 56).
- High fixed costs of 3D printing equipment (line 62).
- High risks of getting involved in providing an untested printing service (line 65).
- Risk of some people perceiving the 3D-printed souvenirs as inauthentic or cheap, thereby reducing *Utopia*'s brand value (lines 65 – 66).
- *Utopia* could become vulnerable as a takeover target or face intense rivalry, perhaps by large global competitors, e.g. *Utopia*'s success might attract the attention of rivals such as Four Seasons (the luxury hotel group).

*Award a maximum of [2 marks] if a SWOT analysis is provided without any explanation or application to Utopia.*

*Award a maximum of [4 marks] if the response lacks depth in the explanation. The SWOT analysis may be incomplete.*

*Award up to [6 marks] if the response is thorough and the SWOT analysis is competently applied to Utopia.*

## SECTION B

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

Economies of scale refers to the cost-saving benefits enjoyed by an organization due to its larger scale of operation. It is shown by a fall in unit (average) costs of production associated with an increase in output. For example, large coffee retailers such as Starbucks can reduce their unit costs by buying their coffee beans in bulk, by using the latest technologies to raise productivity, and gaining easier access to low-cost finance.

*Candidates are **not** expected to word their definition exactly as above.*

*Award [1 mark] for a definition that only demonstrates partial understanding.*

*Award [2 marks] for a definition that demonstrates clear understanding of *economies of scale*.*

- (b) **In the context of *Utopia* and *JAC*, distinguish between qualitative and quantitative market research.** [4 marks]

Qualitative research involves the collection of primary and/or secondary market research data and information based on the attitudes, beliefs and opinions of *Utopia*'s and *JAC*'s customers. It is about finding out what they think and why they think it. The research is subjective, so open to a high degree of interpretation. Such research often involves the use of face-to-face interviews and focus groups. It is often used to test reactions and get feedback in order to refine *Utopia*'s strategy.

Quantitative research involves the collection of primary and/or secondary market research data and information that are numerical and measureable. It is used to quantify the attitudes, opinions and beliefs of customers of *Utopia* and *JAC*, and to generate statistically valid market research findings. Examples include the use of closed questions (such as 'true or false' or 'yes or no' questions), and multiple choice options. It is objective, so is less prone to varying interpretations.

*Accept any other relevant distinction made between quantitative and qualitative market research.*

*Award up to [2 marks] for an answer that shows some knowledge of the difference between quantitative and qualitative market research. The answer may lack clear application to *Utopia* and *JAC*.*

*Award up to [4 marks] for an accurate answer that shows good knowledge of the difference between quantitative and qualitative market research. The answer is competently applied to *Utopia* and *JAC*.*

(c) **Explain why brand loyalty (line 43) is important for *Utopia* and *JAC*. [4 marks]**

Brand loyalty measures the extent to which the customers of *Utopia* and *JAC* make repurchases over time, rather than buy from rival firms. Strong brand loyalty exists when customers are committed to a certain brand and make repeat purchases time and time again.

Advantages of brand loyalty could include:

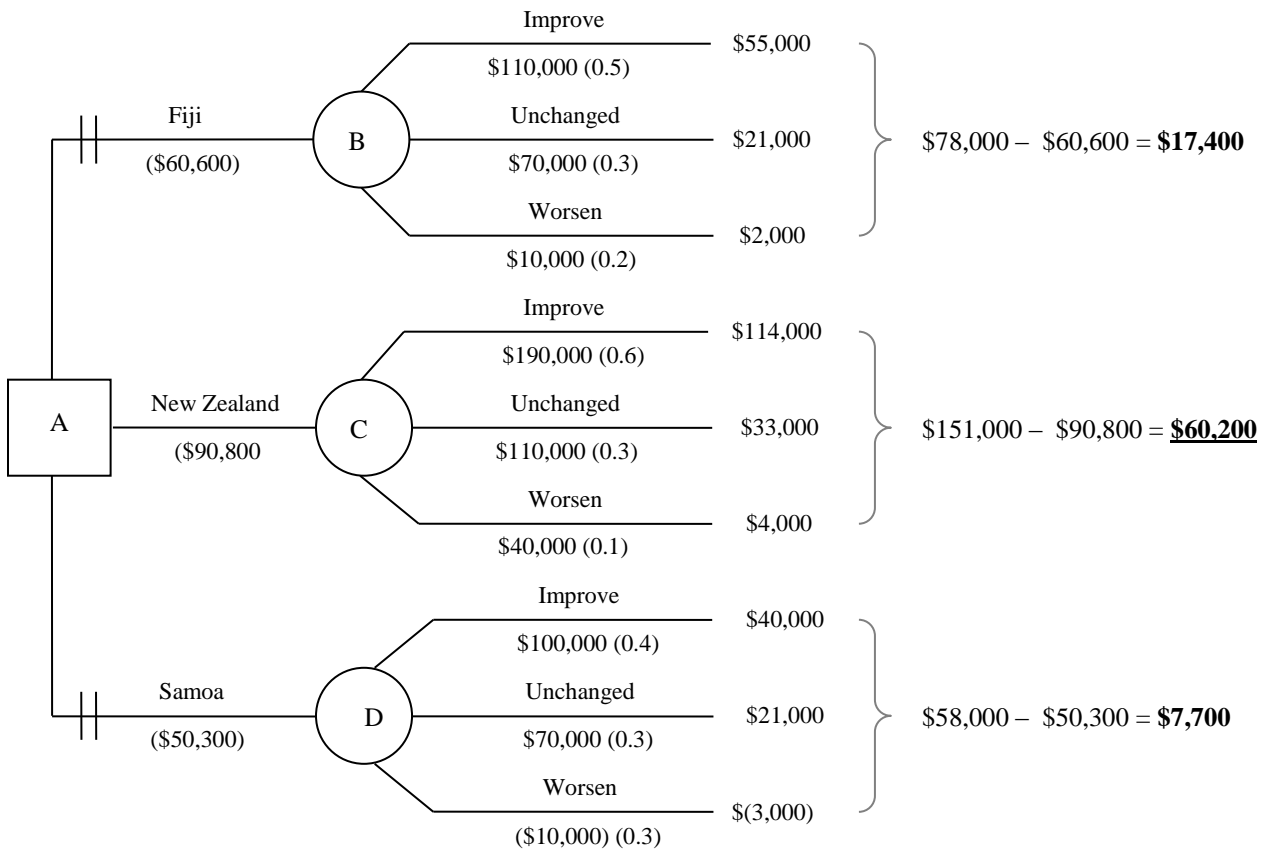
- Higher prices can be charged, due to the perceived greater value for money. This ensures *Utopia* and *JAC* have higher profit margins.
- Brand loyalty gives *Utopia* and *JAC* competitive advantages over their local and global rivals due to devoted customers who make repurchases, e.g. frequent visitors to *Utopia* are film stars (line 3).
- Brand loyalty can encourage word-of-mouth recommendations by customers. This is important for *Utopia* as it relies heavily of WOM promotion (line 6).
- Strong brand loyalty can discourage potential rivals from entering the industry.

*Accept any other relevant explanation, written in the context of *Utopia* or *JAC*.*

*Award up to [2 marks] for showing some understanding of why brand loyalty is important, but the answer might lack clear application to *Utopia* and *JAC*.*

*Award up to [4 marks] for showing good understanding of why brand loyalty is important, and the answer demonstrates clear application to *Utopia* and *JAC*.*

- (d) Use the data above to construct a decision tree, and apply the outcome with information in the case study to recommend which country JAC should expand to. [10 marks]



Option	Economic conditions	Probability	Forecast revenue (US\$)	Cost (US\$)	Probable outcome (US\$)	EMV
Fiji	Improve	50%	\$110,000	\$60,600	\$55,000	\$78,000 – \$60,600 = <b>\$17,400</b>
	Unchanged	30%	\$70,000		\$21,000	
	Worsen	20%	\$10,000		\$2,000	
New Zealand	Improve	60%	\$190,000	\$90,800	\$114,000	\$151,000 – \$90,800 = <b>\$60,200</b>
	Unchanged	30%	\$110,000		\$33,000	
	Worsen	10%	\$40,000		\$4,000	
Samoa	Improve	40%	\$100,000	\$50,300	\$40,000	\$58,000 – \$50,300 = <b>\$7,700</b>
	Unchanged	30%	\$70,000		\$21,000	
	Worsen	30%	(\$10,000)		\$(3,000)	

A decision tree is a quantitative decision-making and planning tool, designed to simplify complex decisions in an objective way. As a visual tool, it can help John, Paul and Liza to make rational decisions by considering the probable outcomes of certain decisions, such as whether to expand to Samoa, Fiji or New Zealand.

Students should explain how the use of a decision tree might help *Utopia* to decide whether to pursue a market development strategy in Fiji, Samoa or New Zealand (lines 67 – 68), in the context of the pre-seen stimulus in the case study. For example:

- All three markets present opportunities to earn more profit for the organization (Samoa @ \$7,700, Fiji @ \$17,400 and New Zealand @ \$60,200).
- The decision tree clearly confirms Liza’s market research that considerable profits could be earned by expanding to New Zealand (lines 69 – 70).
- The return on investment (ROI) for Fiji is 28.7% ( $\$17,400 / \$60,600$ ), for Samoa it is only 15.3% and for New Zealand it is 66.3% – clearly, the best investment option based on calculating the ROI.
- In addition, economic conditions in New Zealand have a higher probability of improving (60%) compared with the likelihood in Fiji (50%) and Samoa (40%).
- However, the validity of the outcomes is only as good as the quality of the quantitative data collected to calculate the probable outcomes; after all, these are only estimated figures.
- Also, New Zealand already has a large number of well-established coffee chain, so *JAC* might struggle to compete with multinational giants such as Starbucks and McCafé. This is particularly the case as the MNCs benefit from brand awareness and economies of scale.
- In addition, qualitative factors are ignored, e.g. the different corporate laws, regulations and cultures that exist in these three markets have not been considered.
  
- *Accept any other relevant and substantiated discussion point.*

*For a purely theoretical answer, or one without effective use of the case study material, award a maximum of [4 marks].*

*Award a maximum of [5 marks] if the answer is unbalanced or only shows a well-constructed decision tree without any discussion.*

*Award a maximum of [8 marks] if there is a well-constructed and accurate decision tree, but the discussion lacks depth.*

*Award up to [10 marks] if there is effective use of the additional information, an accurate and well-constructed decision tree, and a balanced discussion of the three growth options.*

## SECTION C

Answer *the compulsory* question from this section.

5. Using the case study and the additional information in Section B and Section C, recommend which growth option(s) John Ariki should choose for *Utopia* and *JAC*.  
[20 marks]

*Students may take a range of different approaches in addressing this question. The content below is a suggestion only of what responses might include.*

Discussions of arguments in favour of market development in Fiji, Samoa or New Zealand might include:

- Fiji has the highest economic growth rate (4.2%), suggesting better economic prospects for customers in Fiji. This means they may purchase more goods and services, including *JAC* coffee.
- However, the unemployment rate in Fiji is higher (7.9%) than the rate in New Zealand (4.9%), which suggests lower incomes for many more people there.
- Fiji's inflation rate (3.9%) is much higher than that of Samoa's (0.8%) and NZ's (0.4%). Higher inflation means average prices of goods and services are rising, which can reduce the demand for *Aora* coffee. There is greater price stability in the other two locations.
- The average person in NZ is significantly wealthier (\$36,464 per year) than the average Samoan (\$3,641) or Fijian (\$4,042). Hence, New Zealanders are, on average, more able to purchase *Aora* coffee.
- The considerably higher population in NZ (4.6 million) means a much larger potential customer base than in Fiji (0.87m) and Samoa (0.193m). However, this could also mean that there are significantly more established competitors in New Zealand (as suggested in Section B).
- The World Bank's Ease of Doing Business makes expanding to NZ an obvious choice (as it is ranked first in the world). Trying to do business in Samoa (ranked 89<sup>th</sup>) and Fiji (ranked 97<sup>th</sup>) seems unpromising and far more difficult.
- The corporate tax rate in NZ is the highest (28%), although only slightly higher than that in Samoa (27%). Based on this measure, Fiji is the best option as the government only takes 20% from a firm's profits.
- Similarly, income tax is lowest in Fiji, meaning people have a higher disposable income (so can buy more goods and services, including coffee). However, in absolute terms, the average New Zealander earns significantly more than the average Fijian, despite its higher rate of personal income tax.
- New Zealand has a much higher rate of sales tax, suggesting that customers would pay a higher price for coffee. This could put off some customers.
- The case study mentions that considerable profits could be earned by selling to New Zealand (line 70), whereas the market research suggests only some profit potential in Fiji and Samoa (line 69).
- However, more information would be useful in order to address this questions, e.g. the financial costs of forming a joint venture, strategic alliance or franchise in each of these 3 countries.

- The outcome of the decision tree (Section C) clearly suggests that New Zealand is the best option for a market development strategy, with a forecast 66.3% return on investment (compared with 28.7% for Fiji and 15.3% for Samoa).
- The success of market development also depends on external factors that affect coffee prices (Item 1), such as weather conditions and the efficiency of supply chains in overseas markets.
- However, there is already a large number of well-established coffee chains in New Zealand, such as Starbucks, Tully's Coffee, Gloria Jean's Coffees, Caribou Coffee and McCafé. *JAC* might find it difficult to compete, especially with its preference to charge premium prices (he is proposing a \$12 cup of coffee) whilst existing firms benefit from economies of scale from suppliers in Brazil (and hence the ability to charge lower prices).

Arguments in favour of ecotourism might include:

- This growth strategy would align well with *Utopia's* values and its social responsibilities (line 58), such as job creation in the local community and its preference to use fair trade Aora coffee at *Utopia* and *JAC*.
- *Utopia* can expand into ecotourism on the island by focusing on conservation of natural habitats and wildlife on Ratu. Again, this aligns well with its vision and social responsibilities.
- The risks of expanding into ecotourism are minimal as *JAC* is already an important tourist activity in the region (line 27).
- John believes ecotourism will provide *Utopia* with visitors all year round, which will help with the company's cash flow position.
- Targeting ecotourists would enable *Utopia* to gain extra revenue from a new market segment (instead of targeting only wealthy clients, such as film stars).
- Ecotourism would be less risky than market development in Samoa, Fiji or New Zealand. In addition to the lower costs, John and his family are far more familiar with operations at home on Ratu. This *related diversification* strategy would enable *Utopia* to provide a new service (ecotourism) to new markets.

The final decision of which growth option(s) to pursue will depend on a number of quantitative and qualitative factors, such as:

- John's overall attitude to risk, including his willingness to take on the risks of external growth.
- John's ability to decentralise and allow Paul and Liza to manage *JAC* with autonomy.
- The available funds to *Utopia* and *JAC* to implement the growth option(s); this largely depends on John's willingness to accept offers from external investors.
- The financial health of the company based on its balance sheet, e.g. what is the state of its finances following the natural disaster on Ratu last year?
- Consideration of other decision-making tools such as investment appraisal or break-even analysis.
- *Accept any other relevant response that is substantiated.*

*Note – a recommendation that a decision cannot be made due to lack of information (e.g. no balance sheet or investment appraisal) can be regarded as a decision if the argument is well supported.*



## Awarding the 20 marks (from pages 65 – 68 of Business Management Guide)

There are 5 assessment criteria for Section C:

Criterion A: Knowledge and understanding of tools, techniques and theories

Criterion B: Application

Criterion C: Reasoned arguments

Criterion D: Structure

Criterion E: Individual and societies

### Criterion A: Knowledge and understanding of tools, techniques and theories

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of relevant business management tools, techniques and theories, as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques or theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or
4	Good knowledge and understanding of relevant tools, techniques or theories is demonstrated.

### Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

### Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting evidence for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

### Criterion D: Structure

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

### Criterion E: Individual and societies

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.