

IB DP Business Management

CASE STUDY PACK – MAY 2023

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Skandvig Terra PLC



Making the world a safer place



For May 2023 examinations

How to use the Paper 1 Case Study Pack (May 2023)

This comprehensive Case Study Pack has been produced to help colleagues and students in their preparations for the May 2023 Paper 1 examination (*Skandvig Terra PLC*). This latest Case Study Pack from Level7 Education includes:

1. **Definitions** of all the key terms in the case study. Over 90 key terms/phrases have been identified and clearly defined in the context of the *Skandvig Terra PLC* case study.
See pages 4 – 18
2. **Crossword** – A key terms crossword that covers 20 of the key terms in the *Skandvig Terra PLC* case study to help your students gain a better grasp of the terminology used.
See pages 19 – 24
3. **5-4-3-2-1 Quiz** – A “5-4-3-2-1 Quiz” is included, with suggested answers. Teachers can use this as an example to design their own version of this quiz to engage students with the case study.
See pages 25 – 27
4. **Stakeholder Profiles Quiz** – Use this quiz to find out how much students know about the key individual and group stakeholders in the *SVT* case study.
See pages 28 – 29
5. **Comprehension Quizzes** – The CSP includes 10 sets of comprehension questions to help students learn and engage with the *Skandvig Terra PLC* case study. The first page of each quiz contains a blank version that can be printed for students to write their answers in class, which they keep for revision, or to complete as homework. The second page of each quiz comes with the answers. There are 100 comprehension questions in total.
See pages 30 – 49
6. **True or False Quizzes** – The CSP also includes 10 sets of ‘True or False?’ questions to test students’ recall and understanding of the case study. The first page of each quiz contains a blank version of the quiz for students and the second page includes the answers. There are 100 of these true or false questions in total.
See pages 50 – 69
7. **A–Z Quiz** – This activity is a great lesson starter or plenary, containing 26 questions to test your students’ comprehension and understanding of the *SVT* case study.
See pages 70 – 71
8. **Multiple Choice Questions Quiz** – Use this activity to check your comprehension of the pre-seen case study. There are ten questions based on the case study, each with 4 options but only 1 correct answer. How many of these can you get right?
See pages 72 – 75



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9. **Case Study Wordsearch** – Use this activity to support students' use of vocabulary and key terms from this year's pre-seen case study.
See pages 76 – 79
10. An applied **SWOT analysis** of *Skandvig Terra PLC* – The detailed SWOT analysis can be used as a tool for strategic analysis in order to support decision making at *SVT*. A fully applied SWOT analysis has been included based on the pre-issued case study.
See pages 80 – 86
11. An applied **PEST analysis** of *SVT* – Similarly, a detailed PEST (STEEPLE) analysis is included to provide useful information for strategic analysis and for formulating appropriate business strategy (Section B and/or Section C).
See pages 87 – 91
12. Separate **Paper 1 mock exams for HL and SL**, with accompanying **mark schemes**. This Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme.

Additional information/data have been included for Section B of both examination papers. For the HL mock exam, Section C has also been included (as this section of Paper 1 makes a return in the May 2023 exams), so this is reflected in the CSP to mirror the final examinations.

Note: The additional information and data in Section B and Section C have been incorporated only for the purpose of providing additional practice for the final examination.

SL mock exam paper: See pages 92 – 95 SL marks scheme - See pages 96 – 106
HL mock exam paper: See pages 107 – 111 HL marks scheme - See pages 112 – 127

Best wishes with the preparations for the May 2023 examinations!

Paul Hoang
20th February 2023



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

PLC (1)

A public limited company (PLC) is a business organization owned by shareholders with limited liability. The shares in a PLC are traded on a public stock exchange.

Specialize (Specialized) (1)

Specialization is the process of a business entity focusing on the production of a limited scope of goods or services. This approach to production enables the business to benefit from a greater degree of operational efficiency.

Producing (Production) (1)

Production is the business function that involves the processing of resources (land, labour, capital, and enterprise) to provide the output of goods and/or services. The purpose is to provide the right quantity and quality of goods and/or services in a cost-effective and timely manner.

Vision statement (2, 116)

The vision statement of a business is a written statement of what the business aspires to be in the future. Having a vision gives the organization a clear sense of purpose and direction. SVT's vision statement is "*Making the world a safer place*".

Founding (Foundation) (2)

This refers to the date of the official establishment or creation of a business organization. The owners are called the founders or co-founders.

Company (3, 89)

A company is a business owned by shareholders who have limited liability. Companies are incorporated organizations, i.e., they are legally separate entities from their owners. This means there is a divorce of ownership and control in a company.

Supplies (4)

This refers to the good or service that an organization is willing and able to produce, usually for commercial gain. In general, the higher the price the greater the quantity supplied as the business can earn higher profit margins.



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Regional monopoly (7)

A monopoly is a business that has significant market share and hence market power within a particular industry. A pure monopoly has 100% market share, meaning it is the sole supplier of a certain good or service. A regional monopoly can have exclusive control over the production and distribution of a certain good or service within a specific geographic area.

Expansion (Expanded) (7)

This is the growth of a business due to an increase in the size of the organization and/or growth in the market. Expansion is usually measured by an increase in variables such as sales revenue, number of employees, or profits.

Business sectors (8)

This refers to different ways of classifying different types of businesses based on the goods or services they produce or sell and the markets in which they operate. The main purpose of doing this is to provide a systematic way to analyze and understand the way in which different business sectors work, e.g., agriculture, manufacturing, retail, energy, and healthcare.

Products (8, 122)

A product is a good or service which is sold on the market to satisfy the needs and wants of customers. It can be a tangible good (e.g., water filters) or an intangible service (e.g., teaching English as part of SVT's Outreach Programme).

Acquisition (Acquiring) (9)

An acquisition is a method of external growth that occurs when one company buys a controlling interest (majority stake) in another business, with mutual consent, thereby taking overall control and ownership of the target business.

Divisions (10)

A division is a separate and distinct strategic business unit (SBU) of an organization. SVT has four divisions, based on product: Fresh Water, Desalination, Engineering, and Consumer Products.

Manufactures (13)

This refers to the process of combining and transforming raw materials and/or components into final goods, ready for sale to customers. SVT's Engineering Division produces water treatment equipment and power turbines.



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Consumer (14)

Consumers are the end-users of a product. This contrasts with customers who are the buyers of the product.

Director (15, 106)

This is a senior executive in an organization who holds autonomous decision-making responsibility. They are appointed to who is appointed to manage and oversee the operations of a company.

Operational authority (15)

This refers to the formal power or responsibility given to an individual or department within a business to carry out specific tasks and functions. It is usually given to the board of directors who hold ultimate responsibility for the organization's conduct and performance.

Tactical authority (15)

This refers to decision-making power of a lower level within an organization. Those with tactical authority are responsible for achieving specific and more routine goals and objectives of the business.

Decision making (16)

This is the management function of enacting or processing important choices and judgements in business operations. Rational decision-making is an integral aspect of business management.

Leadership style (19)

This refers to the way in which managers and leaders choose to behave in relation to how they organize, communicate, and manage their employees.

Situational leadership style (19 – 20)

This a leadership theory that suggests there is no single 'best' leadership style. Instead, effective leadership varies depending on the situation at hand, the person or team involved, and the task that needs to be accomplished.

Change (Changes) (20, 52)

Change refers to the modification or transformation in the way business is conducted as a response to internal factors or external influences. It arises when internal and/or external factors that influence the operations of a business do not stay the same.



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External environment (21)

The external environment refers to the factors beyond the control of the organization, which have a direct impact on its business operations and performance. Examples include political, economic, social, technological, legal, ethical, and environmental factors.

Employees (22, 53)

A type of internal stakeholder, employees are the people who work for a business. They are hired by a business to carry out specific tasks or roles within the organization. They can have significant influence on the organization, such as their level of motivation and productivity.

Autocratic (23)

An autocratic leader or manager is one who makes all decisions within an organization and tells the employees what to do and therefore does not allow them to make decisions for themselves. Hence, decision making is swift, but only reflects the opinions (and personality) of the leader.

Industry leader (23 – 24)

Also known as **market leaders**, these are firms with the largest market share in a particular industry. Industry leaders tend to enjoy a good corporation image, which can help to attract more investors and better-quality employees.

Productivity (productivity per employee) (24)

This refers to how well things are done. It measures the efficiency in the production of goods or services expressed in terms of an input-output ratio, such as the output per worker over a specific time period.

Distribution (29, 131)

This refers to the entire process of getting the right products to the right place at the right time where customers want them, all in the most cost-effective way possible.

Internal growth strategies (31 – 32, and 90 – 91)

These are the various ways that a business uses to expand by using its own resources to increase the scale of its operations. Examples include market penetration and product development growth strategies (in reference to Ansoff's matrix).



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External growth strategies (31 – 32, and 90 – 91)

These are the various ways that a business uses to expand using third parties, such as through a takeover or acquisition.

Acquisition (32)

This is a method of external growth that occurs when one company buys a controlling interest (majority stake) in another business, thereby taking overall control and ownership of the target business. This is typically done on a mutually agreed basis, unlike the case of a hostile takeover.

Income streams (37)

Also known as **revenue streams**, this refers to the money or income coming into the business from different divisions of the organizations, e.g., SVT earns revenue from the sales of its WF15 water purifiers as well as the manufacturing and operating of desalination plants across the world.

Market growth (39)

This refers to the increase in the size of a market or industry over time. It can be measured in several ways including an increase in sales revenue or the number of customers in a particular market. It is typically associated with an increase in the level of consumer spending in a given market.

Market (39)

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service. The market for desalination (of sea water) is growing rapidly.

Demand (44, 80)

Demand refers to the total amount of a good or service purchased at a particular price, in a given time period.

Sales (45)

Sales refers to the income of a business derived from the purchase of its goods and/or services from customers. It is calculated by multiplying the selling price of the product by the quantity sold.

Equipment and machinery (47)

Equipment and machinery are types of fixed assets, i.e., long-term tangible assets used in the production of a good or provision of a service. They are not intended for resale and expected to have a useful life of more than twelve months from the balance sheet.



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Product range (49)

The product range of a business refers to all products in its product mix, i.e. all the products sold by the business.

Takeover (49, 56, 91)

This is a method of external growth that occurs when one company buys a controlling interest (majority stake) in another business, thereby taking overall control and ownership of the target business. This is typically done in a hostile way, usually against the wishes of the owners of the target company.

Board of directors (51, 93, 111, 116)

The Board of Directors (BOD) of a company refers to an elected group of senior executives to represent the interest of shareholders. The BOD acts as the governing body that oversees the operations and strategic direction of the company. The BOD meets at regular intervals (at board meetings) to discuss the make decisions about company policies and practices.

Salaries (53, 100)

A salary is a form of financial payment made to an employee, based on his/her job as specified in a contract of employment. It is a fixed amount paid on a periodic basis, usually per month.

Rival businesses (54)

Rival businesses are competitor organizations that operate in the same market or industry. The organization may have little or no control over the activities of its rival businesses as these are external stakeholders.

Financial methods of motivation (54 – 55)

This refers to the monetary payments used to reward and/or motivate people in businesses. Examples include salaries, bonuses, and fringe benefits such as life insurance and pension contributions for SVT's employees.

Non-financial methods of motivation (54 – 55)

These are intangible rewards or non-monetary methods used to motivate people. Examples include methods to improve job satisfaction, job enlargement, job enrichment, team working, and opportunities for advancement.



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Economies of scale (57)

This 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 following an increase in output. For example, large companies like SVT can reduce their unit costs by using advanced computer technologies to raise productivity.

Human resources (HR) / Human resources department (59, 69)

The human resources department is the subdivision of an organization that focuses on the personnel or the employees of the business.

Resistance to change (59)

This refers to the opposition, reluctance, or hesitation shown by individuals or groups of employees towards adopting new ideas or proposals that move away from established practices and cultural norms.

Flexible-working contract (61)

This is an employment agreement that provides employees with more control over the timing and/or arrangements of their employment. An example is SVT's proposal for employees to change to new shifts (working hours) every six months.

Recruitment (66)

This is the process of hiring suitable workers for job roles within an organization. It starts with identifying the need for a new employee, followed by defining the job and the appropriate person for it, attracting a number of suitable candidates, interviewing them, and selecting the best person for the job.

Vacancies (66, 70)

A job vacancy exists when a job position becomes available, often due to resignations or growth of an organization.

Appoint (66)

This refers to the process of hiring/recruiting suitable workers. The appointment process helps decision makers to select the best person for the job vacancy.



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Team (teamworking) (67)

A team is a group of co-workers who work together to achieve a common goal. Teamwork is a form of non-financial reward, which occurs when employees work with fellow colleagues to achieve organizational goals.

Advertise (69)

This refers to the human resource function of promoting job openings in order to attract and recruit suitable candidates for job vacancies at the business, e.g., company websites, social media platforms, newspapers, recruitment agencies, and professional networking sites (such as LinkedIn).

Induction training (70)

This is a form of training for new staff in order to help acquaint them with the policies, processes, and physical environment of the organization.

Innovative (innovation) (71)

Innovation is the commercial development, adoption, and exploitation of an invention or creative idea that appeals to customers in a profitable way for the business. Innovative technologies are new or advanced devices, processes, or computerized systems that are designed to improve efficiency, productivity, and quality output.

Quality (72)

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. Aspects of quality include: durability, reliability, customer service, after-sales care and the physical appearance of the products.

Production (72)

Production is the processing of resources (land, labour, capital, and enterprise) to provide the output of goods and/or services. It aims to provide the right quantity and quality of goods and/or services in a cost-effective and timely manner.

Objective (74)

Objectives are the goals of an organization, such as expansion and increased market share. Peter Drucker suggested that business objectives should be SMART: specific, measurable, achievable (or agreed), realistic and time constrained.



Labour productivity (75)

This measures the efficiency of labour in the production process expressed in terms of an input-output ratio, such as the output per worker or sales per worker.

Unit costs (75)

This refers to the average cost of production. The per unit cost is derived from dividing the total costs of output by the number of units of produced. As a firm grows, the per unit costs will tend to fall (economies of scale).

Labour turnover (76)

Labour turnover measures the rate of change of human resources within an organization, per period of time. The more people who leave the organization per time period, the higher the labour turnover rate.

Capacity (79)

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. Larger firms have a greater capacity of output. SVT has increased the capacity of its plants at H4 PLC.

Contribution (88)

Contribution refers to the surplus earned on the sale of individual products. It is used to calculate how many items need to be sold to cover all the firm's costs (both variable and fixed costs). It enables managers to see the surplus (contribution) that a firm earns from each unit of product sold and whether that return is sufficient to allow it to earn profit overall, after deducting its fixed costs.

Profit (88)

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 – Total costs.

Dividends (89)

The share of the net profits that a company distributes (pays) to its shareholders. Preference shares usually carry a fixed dividend while ordinary shares a variable dividend depending on the profitability of the company.



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Market share (90)

Market share is the percentage of all sales in a market that is held by one brand or a business. It can be measured in terms of the volume (units sold) or value (revenue generated). Most businesses aim to gain high market share.

Aims (92)

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. Aims are used to formulate organizational objectives.

Brand leader (92)

A brand leader is the bestselling product in a particular market, i.e., it has the highest market share in the industry. It can also refer to the most highly regarded (respected) product or brand in the market.

Marketing budget (94)

A marketing budget is a financial plan of expected revenue and expenditure for the marketing department within an organization, for a given time period. The budget includes expenses related to marketing activities, such as market research (line 134), product development, advertising, public relations, and sales promotions.

Corporate social responsibility (CSR) (95)

CSR is the conscience of a business with consideration of the organization's actions on its various stakeholder groups and the natural environment. It also involves organizations monitoring and ensuring their compliance with the ethical standards of society.

Cost (100, 112, 118)

Costs are items of expenditure by a business when producing its goods and/or services. Examples include the costs of salaries, rent, raw materials, advertising, and taxes.

Training (102)

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace, e.g., induction for new staff (line 70) or skills training such as teaching people in a LEDCs to dig wells (line 101).



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Charities (104)

Charities are non-profit organization set up to provide help and raise money or aid for those in need.

Non-governmental organizations (NGOs) (104)

An NGO is a type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. NGOs are established to benefit others in society by focusing on advocacy, research, or social services.

Low-cost (112)

Low-cost products, such as SVT's WF15 water purifiers, are goods that are sold at a lower price than other similar products available on the market. They are typically of lower quality than higher priced items but are still functional and meeting minimum quality standards set by the industry.

Research (market research) (113)

Research is the process of gathering and interpreting information regarding customers, markets, or products. It involves collecting primary and/or secondary data, which may be of a quantitative or qualitative nature to inform business decision making.

Entrepreneurs (117)

An entrepreneur bears the financial risks of starting and managing a new business or a commercial venture. Entrepreneurs can develop new products or service ideas or find a new way of offering an existing product.

Needs (124)

These are the physiological requirements that are essential to all human beings. They must have these in order to survive, e.g., food, clothing, and shelter. Needs appear at the bottom of Maslow's hierarchy of needs.

Pricing strategy (127)

This refers to the pricing methods that a business uses to sell its products. Examples include cost-plus, penetration, psychological, loss leader pricing.



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Not-for-profit operation (127 – 128)

An aspect of an organization's operations or division that is not run primarily for financial gain. Instead, the not-for-profit business reuses any financial surplus to achieve its organizational goals, rather than distributing the surplus (profit) as dividends to its owners.

Subsidize / Subsidies (128, 130)

Subsidies, in the context of SVT, are financial payments typically provided by the company to support specific business operations or division that benefit the local or wider community. Whilst subsidies will help to reduce the price of the WF15 water purifiers, this comes at the opportunity cost of lower profitability (line 130).

Profitability (130)

Profitability is the measure of an organization's ability to earn revenues above its expenditures. It is used to measure how efficiently a business has used its resources to generate profits for the owners.

Stakeholders (130)

Stakeholders are the individuals and/or other organizations that have a direct interest in the operations of a business. They include internal stakeholders (such as employees, managers, directors, and shareholders) and external stakeholders (such as customers, suppliers, the local community, and governments).

Consumer products (133)

These are goods or services purchased for personal and recreational use by consumers (such as SVT's WF15 water purifiers), rather than for commercial use (in which case the products are called *producer goods*).

Distribution channel (133)

This describes how the final good or service passes from the producer to consumers (the end users). The end user may be a consumer or another business. SVT is unsure about how best to distribute the WF15 water purifiers.



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Marketing department (134)

The marketing department of an organization has overall responsibility for identifying and satisfying customer wants and needs. It is in charge of ensuring that the firm's products sell. This is done through a series of marketing activities such as market research (line 134), advertising, and brand development.

Secondary market research (134)

Also known as **desk research**, this refers to information collected from second-hand sources (which already exist), e.g., government statistics, the news media and independent market research reports, all of which are easily accessible to the public.

Social media (138)

Social media refers to any form of online platform (such as websites and applications) that enable users to create and share interactive content or to participate in online social networking. Social media technologies facilitate the creation and communication of information, ideas, and opinions.



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Other key terms from the case study

Potable water (1)

Potable water is water that has been treated so that it is safe for human consumption. Clean and treated water is essential for a healthy lifestyle, including drinking, cooking, and cleaning.

Water filters (14, 83)

These are device that remove impurities from water by passing it through a physical barrier. This type of water filtration system removes larger particles, such as dirt, residue, and organic matter, but it does not remove chemicals, bacteria, viruses, or other dissolved contaminants (such as salt).

Climate change (16)

Climate change refers to global warming (an increase in the average temperature of the earth driven by human-induced emissions of greenhouse gases) and the resulting and extensive shifts in weather patterns across the world.

Family-owned business (51)

This refers to a business where one or more members of a family are directly involved in the management and ownership of the business. They are typically run with the intention of keeping the business for future generations of the family. *H4 PLC* was originally a family-owned business.

Specialised employees (68)

These employees have a set of skills or expertise in a particular field or area. They are usually hired to carry out specific duties or jobs that require a high level of expert knowledge and experience.

Share price (88)

This is the price of a single share of a limited liability company. It is determined by the demand for and supply of the shares of the company on the listed stock market. A company share price is typically based on the firm's profitability and earnings potential.

Less economically developed countries (LEDCs) (97, 112)

This categorization of countries refers to nations with a low real GDP per capita and therefore a low standard of living. LEDCs typically lack the necessary infrastructure and resources to do achieve a high degree of economic development. Examples of LEDCs mentioned in the case study include Angola, Sudan, and Yemen.



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Career break (99)

A career break, sometimes known as a sabbatical, is a period of time taken off from employment for personal or professional reasons, such as travel, volunteering, or pursuing further educational. SVT's employees who have been with the company for 10 or more years qualify for the company's Outreach Programme as a career break.

Water purifiers (108, 113, 117 – 118)

The devices are more comprehensive filtration systems than water filters as they remove a wider range of contaminants in water. Water purifiers typically use a combination of physical and chemical processes, such as carbon filtration or ultraviolet light, in order to remove bacteria, viruses, and other contaminants from water.

Infrastructure (111)

Infrastructure refers to the physical structures and facilities needed for the economic and social operations of a country. Examples include network of telecommunications, electricity, roads, bridges, airports, and transportation.

Solar power (114)

This is energy or power generated from sunlight. The purpose or benefit of solar power is the provision of clean and renewable energy, such as the supply of electricity for homes and businesses.

World Health Organization (WHO) (124)

The World Health Organization (WHO), headquartered in Geneva, Switzerland, is a specialized agency of the United Nations (UN) that focuses on national and international matters related to public health, such as monitoring health trends, coordinating international health efforts, and setting international standards for medical care and health systems.

Advanced economies (138)

Advanced economies, also known as *more economically developed countries* (MEDCs) are nations that have a high real gross domestic product (GDP) per capita. These are characterised by having highly developed infrastructure, a well-educated population, and a high standard of living. Examples of advanced economies mentioned in the case study include Australia, China, Greece, India, Japan, Norway, Portugal, Saudi Arabia, Spain, the United Arab Emirates, the USA, and the United Kingdom.

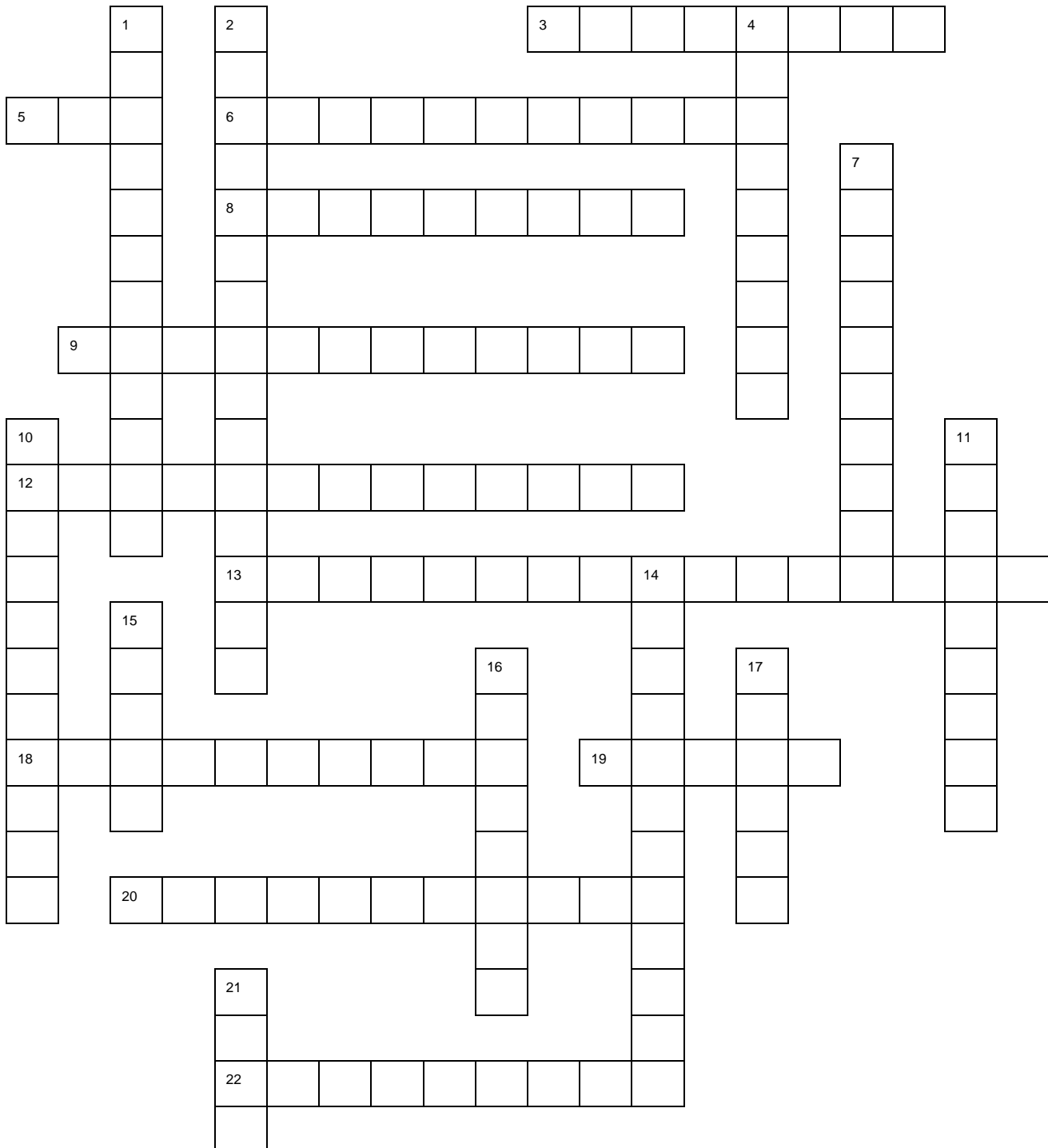
Crossword



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Definitions Crossword

Read the clues below to complete the key terms that feature in the *SVT* case study. The correct number of letters in each answer is shown in brackets after each clue.



The crossword puzzle grid consists of 22 numbered starting points for clues:

- 1: Down, 1 letter
- 2: Down, 1 letter
- 3: Across, 4 letters
- 4: Across, 4 letters
- 5: Across, 3 letters
- 6: Across, 10 letters
- 7: Down, 10 letters
- 8: Across, 8 letters
- 9: Across, 10 letters
- 10: Down, 1 letter
- 11: Down, 1 letter
- 12: Across, 10 letters
- 13: Across, 8 letters
- 14: Across, 8 letters
- 15: Down, 1 letter
- 16: Down, 1 letter
- 17: Down, 1 letter
- 18: Across, 8 letters
- 19: Across, 4 letters
- 20: Across, 8 letters
- 21: Down, 1 letter
- 22: Across, 8 letters



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Clues across

3. A senior executive responsible for the day-to-day operations and the performance of a company. (9)
5. Abbreviation for type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. (3)
6. Online platforms that enable users to create and share interactive content or to participate in online social networking. (6,5)
8. A short to medium term goal of an organization, such as survival, expansion, or increased market share. (9)
9. Process and networks used to get the final good or service from the producer to the end user. (12)
12. People who bear the financial risks of starting and managing a new business. (15)
13. The cost-saving benefits enjoyed by an organization due to the larger scope of its operations. (9,2,5)
18. The desire, effort, and willingness to complete a task or to achieve something. (10)
19. The things that people must have in order to survive, e.g., food, water, warmth, and shelter. (5)
20. Leadership style based on the idea that there is no single best way to lead but to adapt to different circumstances accordingly. (11)
22. Payment paid to shareholders at the end of a trading period. (9)

Clues down

1. Refers to how well things are done. It measures the efficiency in the production of goods or services expressed in terms of an input-output ratio, such as the output per worker. (12)
2. A declaration of where the organization aspires to be in the future, thereby giving the organization a clear sense of purpose. (6,9)
4. Non-profit organizations set up to provide help and raise money or financial aid for those in need. (9)
7. Leadership style that involves centralized decision making, with the manager telling employees what to do. (10)
10. The process of hiring suitable workers for the organization. (11)



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11. An internal stakeholder, these are the people who work for an organization. (9)
14. The individuals and/or organizations that have a direct interest in the operations and affairs of the business in question. (12)
15. Items of expenditure borne by a business when producing its goods or services. (5)
16. A single supplier of a good or service. (8)
17. A financial plan of expected revenue and expenditure for an organization, or a department within an organization, for a given time period. (6)
21. Abbreviation for low-income country. (4)

End of crossword



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Definitions Crossword - Answers

Read the clues below to complete the key terms that feature in the SVT case study.

1P R
2V I
3D I R E 4C T O R H
5N G O 6S O C I A L M E D I A R
D I 7A U
U 8O B J E C T I V E I
C N T
T S I
9D I S T R I B U T I O N E
V A S
10 R I T A
12 E N T R E P R E N E U R S M
C Y M I P
R 13 E C O N O M I E 14 S O F S C A L E O
U 15 C N T O
I O 16 M A
T S O K
18 M O T I V A T I O N 19 N E E D S E
E S O H G
N P O E
T 20 S I T U A T I O N A L T
L D
21 L Y E
E R
22 D I V I D E N D S
C



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Clues across

3. A senior executive responsible for the day-to-day operations and the performance of a company. (9) **DIRECTORS**
5. Abbreviation for type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. (3) **NGO**
6. Online platforms that enable users to create and share interactive content or to participate in online social networking. (6,5) **SOCIAL MEDIA**
8. A short to medium term goal of an organization, such as survival, expansion, or increased market share. (9) **OBJECTIVE**
9. Process and networks used to get the final good or service from the producer to the end user. (12) **DISTRIBUTION**
12. People who bear the financial risks of starting and managing a new business. (15) **ENTREPRENEURS**
13. The cost-saving benefits enjoyed by an organization due to the larger scope of its operations. (9,2,5) **ECONOMIES OF SCALE**
18. The desire, effort, and willingness to complete a task or to achieve something. (10) **MOTIVATION**
19. The things that people must have in order to survive, e.g., food, water, warmth, and shelter. (5) **NEEDS**
20. Leadership style based on the idea that there is no single best way to lead but to adapt to different circumstances accordingly. (11) **SITUATIONAL**
22. Payment paid to shareholders at the end of a trading period. (9) **DIVIDENDS**

Clues down

1. Refers to how well things are done. It measures the efficiency in the production of goods or services expressed in terms of an input-output ratio, such as the output per worker. (12) **PRODUCTIVITY**
2. A declaration of where the organization aspires to be in the future, thereby giving the organization a clear sense of purpose. (6,9) **VISION STATEMENT**
4. Non-profit organizations set up to provide help and raise money or financial aid for those in need. (9) **CHARITIES**



Clues down (cont'd) ...

7. Leadership style that involves centralized decision making, with the manager telling employees what to do. (10) **AUTOCRATIC**
10. The process of hiring suitable workers for the organization. (11) **RECRUITMENT**
11. An internal stakeholder, these are the people who work for an organization. (9) **EMPLOYEES**
14. The individuals and/or organizations that have a direct interest in the operations and affairs of the business in question. (12) **STAKEHOLDERS**
15. Items of expenditure borne by a business when producing its goods or services. (5) **COSTS**
16. A single supplier of a good or service. (8) **MONOPOLY**
17. A financial plan of expected revenue and expenditure for an organization, or a department within an organization, for a given time period. (6) **BUDGET**
21. Abbreviation for low-income country. (4) **LEDC**

End of crossword



For May 2023 examinations

Use the Skandvig Terra PLC case study to answer the following **5, 4, 3, 2, 1** questions.

5. State **five** things you know about SVT's Outreach Programme. [5 marks]

.....

.....

.....

.....

.....

4. State **four** things you know about H4 PLC. [4 marks]

.....

.....

.....

.....

3. State **three** about SVT's "WF15". [3 marks]

.....

.....

.....

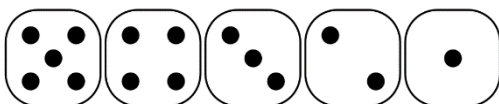
2. State **two** things you know about Yannick Pedersen. [2 marks]

.....

.....

1. State **one** country in which SVT's Engineering Division has factories. [1 mark]

.....





For May 2023 examinations

Answers

Use the Skandvig Terra PLC case study to answer the following **5, 4, 3, 2, 1** questions.

The answers below are for illustrative purposes only (other suitable answers may be provided by students and should be awarded accordingly).

5. State **five** things you know about *SVT's* Outreach Programme. [5 marks]

- It is part of *SVT's* corporate social responsibility (CSR) (line 95).
- Designed to help people in less economically developed countries (LEDCs) (lines 96 – 97).
- After 10 years of continuous employment, *SVT's* employees are offered the opportunity to take part in the Outreach Programme (lines 98 – 99).
- Those who take part in the Outreach Programme do so for three-month as a paid career break (line 99)
- Free skilled labour is offered (by *SVT's* employees), e.g., teaching English in village schools, digging wells, or repairing infrastructure (lines 101 and 107).
- Employees in the Outreach Programme have their travel expenses and accommodation costs paid for, as well as continuing to receive their salaries.
- It has been running for the past 10 years (line 103).
- 6,000 *SVT* employees have taken part in the Outreach Programme (line 103).

4. State **four** things you know about *H4 PLC*. [4 marks]

- Was taken over by *SVT* in 2015 (line 19).
- It manufactures steam and gas turbines in four factories in the UK (line 50).
- It was originally a family-owned business (line 51).
- Prior to its takeover, *H4 PLC* did not make any financial methods of motivation beyond its competitive salaries (lines 54 – 55).
- *H4 PLC's* four factories now operates 24 hours a day, every day of the week (lines 57 – 58).
- Faced a significant exodus of former employees after *H4 PLC* was taken over by *SVT* (line 65).
- The *H4 PLC* factories were modernized successfully and completed in 2016 (line 73).



For May 2023 examinations

3. State **three** about SVT's "WF15".

[3 marks]

- Designed by James Azuki, a university student from Tanzania (line 120 – 121).
- It is the product name for SVT's water purifier that meets strict criteria in terms of cost, usability, and longevity (lines 117 – 118).
- It can produce enough potable water each day to meet the needs of up to four people, with just a few hours of sunlight (for charging) (lines 123 – 124).
- The water produced by the WF15 meets the World Health Organization guidelines for potable water (lines 124 – 125).
- An unresolved issue is how SVT will distribute the WF15 water purifiers in LEDCs (line 132).

2. State **two** things you know about Yannick Pedersen.

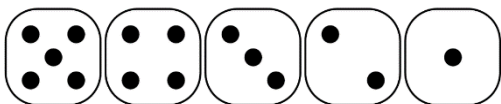
[2 marks]

- Yannick Pedersen is the director of the Fresh Water Division (line 17).
- He has a situational leadership style (line 19 – 20).
- He has clashed with Ariadne Johansen on several occasions as they seem to have different priorities (lines 24 – 26).

1. State **one** country in which SVT's Engineering Division has factories.

[1 mark]

- Norway (line 48).
- Germany (line 48).
- The UK (line 48).





For May 2023 examinations

With reference to the *Skandvig Terra PLC* case study, name the person or stakeholder group based on the clue in each of the following statements.

No.	Statement	Stakeholder
1.	A major water supplier in the United Kingdom that was recently acquired by SVT.	
2.	Has a situational leadership style.	
3.	A rival engineering company that was acquired by SVT in 2015.	
4.	Group that approved SVT's substantial five-year marketing budget in 2018.	
5.	Director who spent three months teaching English in village schools in Sudan in 2019.	
6.	A university student from Tanzania.	
7.	Has an autocratic leadership style.	
8.	Director of the Fresh Water Division.	
9.	Director who saw first-hand that many Sudanese people do not have access to potable water and cannot afford water purifiers.	
10.	Employees of this company were paid competitive salaries, similar to those offered by rival engineering businesses.	
11.	The winner of SVT's competition for inventors and entrepreneurs. and received a prize of \$100,000.	
12.	Director of the Engineering Division.	
13.	The factories of this company now operate 24 hours a day, every day of the week.	
14.	Director whose own research suggested that SVT's water purifiers need to operate using solar power for low-income individuals and households in LEDCs.	
15.	Designed the "WF15" water purifier for SVT.	



For May 2023 examinations

Answers

With reference to the *Skandvig Terra PLC* case study, name the person or stakeholder group based on the clue in each of the following statements.

No.	Statement	Stakeholder
1.	A major water supplier in the United Kingdom that was recently acquired by SVT.	Geng PLC
2.	Has a situational leadership style.	Yannick Pedersen
3.	A rival engineering company that was acquired by SVT in 2015.	H4 PLC
4.	Group that approved SVT's substantial five-year marketing budget in 2018.	Board of directors
5.	Director who spent three months teaching English in village schools in Sudan in 2019.	Jayne Dees
6.	A university student from Tanzania.	James Azuki
7.	Has an autocratic leadership style.	Ariadne Johansen
8.	Director of the Fresh Water Division.	Yannick Pedersen
9.	Director who saw first-hand that many Sudanese people do not have access to potable water and cannot afford water purifiers.	Jayne Dees
10.	Employees of this company were paid competitive salaries, similar to those offered by rival engineering businesses.	H4 PLC
11.	The winner of SVT's competition for inventors and entrepreneurs. and received a prize of \$100,000.	James Azuki
12.	Director of the Engineering Division.	Ariadne Johansen
13.	The factories of this company now operate 24 hours a day, every day of the week.	H4 PLC
14.	Director whose own research suggested that SVT's water purifiers need to operate using solar power for low-income individuals and households in LEDCs.	Jayne Dees
15.	Designed the "WF15" water purifier for SVT.	James Azuki



For May 2023 examinations

Comprehension Quiz 1

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What did *Skandvig Terra PLC (SVT)* originally specialize in?
.....
2. Does *SVT* have a monopoly in each country it operates in?
.....
3. What kind of authority do *SVT*'s divisional heads have?
.....
4. Which of *SVT*'s divisions is responsible for sourcing, treating, storing, and transporting water from various sources for distribution to the general population?
.....
5. How many countries does *SVT* currently operate desalination plants in?
.....
6. True or False? *H4 PLC* was originally a family-owned business and its board of directors had been reluctant to embrace change?
.....
7. What happened to *H4 PLC*'s employees who declined to accept the flexible-working contract offered by *SVT*?
.....
8. Can *SVT*'s wind turbines be located on land and the sea to generate electricity?
.....
9. What is *SVT*'s goal for its market share in the home water filter industry?
.....
10. When did *SVT*'s Engineering Division begin production of the WF15?
.....



For May 2023 examinations

Comprehension Quiz 1 (Answers)

To help improve your application skills, review the *SVT* case study and then answer these questions. Try to answer the questions without referring to the case study.

1. What did *Skandvig Terra PLC (SVT)* originally specialize in?
Producing and delivering potable water in Norway
2. Does *SVT* have a monopoly in each country it operates in?
Yes
3. What kind of authority do *SVT's* divisional heads have?
Operational and tactical authority
4. Which of *SVT's* divisions is responsible for sourcing, treating, storing, and transporting water from various sources for distribution to the general population?
Fresh Water Division
5. How many countries does *SVT* currently operate desalination plants in?
19 (out of the 120 countries that use such plants)
6. True or False? *H4 PLC* was originally a family-owned business and its board of directors had been reluctant to embrace change.
True
7. What happened to *H4 PLC's* employees who declined to accept the flexible-working contract offered by *SVT*?
Those who declined the flexible-working contract left the company
8. Can *SVT's* wind turbines be located on land and the sea to generate electricity?
Yes
9. What is *SVT's* goal for its market share in the home water filter industry?
It aims to become the brand leader in both Europe and the USA
10. When did *SVT's* Engineering Division begin production of the WF15?
2022



For May 2023 examinations

Comprehension Quiz 2

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What is the vision statement of *Skandvig Terra PLC (SVT)*?

.....

2. In which decade did *SVT* expand into other business sectors?

.....

3. Was Yannick Pedersen able to make quick decisions in response to climate change?

.....

4. What are the three sources of water for the Fresh Water Division?

.....

5. Is the market for desalination expected to grow rapidly in the next 10 years?

.....

6. How many days per week did *H4 PLC*'s factories operate?

.....

7. What was the reason for the 300 vacancies at *SVT*?

.....

8. What is used by *SVT* to remove calcium, chlorine, copper, cadmium, and zinc from water does the filter remove from the water?

.....

9. What is the proposed source of power for the WF15?

.....

10. What did *SVT*'s research find about newspaper and magazine purchases in less economically developed countries (LEDCs)?

.....



For May 2023 examinations

Comprehension Quiz 2 (Answers)

To help improve your application skills, review the *SVT* case study and then answer these questions. Try to answer the questions without referring to the case study.

1. What is the vision statement of *Skandvig Terra PLC (SVT)*?
"Making the world a safer place"
2. In which decade did *SVT* expand into other business sectors?
The 1980s
3. Was Yannick Pedersen able to make quick decisions in response to climate change?
Yes (climate change had caused shortages of potable water in some countries)
4. What are the three sources of water for the Fresh Water Division?
Surface water deposits, rivers, and subterranean aquifers
5. Is the market for desalination expected to grow rapidly in the next 10 years?
Yes (some estimates suggest that it will double in the next 10 years)
6. How many days per week did *H4 PLC*'s factories operate?
Only 5 days per week (but since the takeover, they have operated 24/7)
7. What was the reason for the 300 vacancies at *SVT*?
As a result of the significant exodus of former employees from H4 PLC, following its takeover from by SVT
8. What is used by *SVT* to remove calcium, chlorine, copper, cadmium, and zinc from water does the filter remove from the water?
Water filters (for use at home)
9. What is the proposed source of power for the WF15?
Solar power (a few hours of sunlight)
10. What did *SVT*'s research find about newspaper and magazine purchases in less economically developed countries (LEDCs)?
Newspapers and magazines were seldom purchased



For May 2023 examinations

Comprehension Quiz 1

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. Has the vision statement of *Skandvig Terra PLC (SVT)* changed since its founding?

.....

2. What other business sectors did *SVT* expand into in the 1980s?

.....

3. Name two of the 10 listed countries where *SVT* operates desalination plants?

.....

4. What is the main purpose of the steam and gas turbines manufactured by *H4 PLC*?

.....

5. What was the main requirement for the job vacancies at *SVT* when the company needed to replace the mass exodus of employees who left *H4 PLC*?

.....

6. What has happened to labour productivity and unit costs at *H4 PLC* in the last six years?

.....

7. What is the name of *SVT's* commitment to helping people in less economically developed countries, where *SVT* employees provide free skilled labour as part of their three-month paid career break?

.....

8. How does social media usage in LEDCs compare to advanced economies?

.....

9. How did *SVT* expand into other business sectors in the 1980s?

.....

10. How does *SVT* store the water that it has collected?

.....



For May 2023 examinations

Comprehension Quiz 3 (Answers)

To help improve your application skills, review the *SVT* case study and then answer these questions. Try to answer the questions without referring to the case study.

1. Has the vision statement of *Skandvig Terra PLC (SVT)* changed since its founding?
No – It has always been “*Making the world a safer place*”
2. What other business sectors did *SVT* expand into in the 1980s?
Desalination and household water treatment products
3. Name two of the 10 listed countries where *SVT* operates desalination plants.
Australia, China, Greece, India, Japan, Portugal, Saudi Arabia, Spain, United Arab Emirates
4. What is the main purpose of the steam and gas turbines manufactured by *H4 PLC*?
To produce electricity
5. What was the main requirement for the job vacancies at *SVT* when the company needed to replace the mass exodus of employees who left *H4 PLC*?
To work well within a team environment
6. What has happened to labour productivity and unit costs at *H4 PLC* in the last six years?
Productivity has improved, and unit costs have fallen (due to the modernization programme)
7. What is the name of *SVT*'s is a commitment to helping people in less economically developed countries, where *SVT* employees provide free skilled labour as part of their three-month paid career break?
Outreach Programme
8. How does social media usage in LEDCs compare to advanced economies?
The usage level is fast approaching that seen in advanced economies
9. How did *SVT* expand into other business sectors in the 1980s?
External growth strategies (by acquiring other companies)
10. How does *SVT* store the water that it has collected?
In large manufactured reservoirs



For May 2023 examinations

Comprehension Quiz 4

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. How many people does *SVT* currently supply potable water to in Norway?

.....

2. Who heads (leads) each of the divisions at *SVT*?

.....

3. What may have led to the success of the Engineering Division in terms of productivity per employee?

.....

4. What percentage of the world's desalination capacity does the Desalination Division account for?

.....

5. What does *H4 PLC* manufacture?

.....

6. What was the average age of employees who turned down the flexible-working contract when *H4 PLC* was taken over by *SVT*?

.....

7. What does the Consumer Products Division manufacture and sell?

.....

8. What is the name of the water purifier designed by James Azuki?

.....

9. What decisions do *SVT*'s board of directors need to make?

.....

10. Who came up with the idea for the competition aimed at inventors and entrepreneurs, to develop a water purifier?

.....



For May 2023 examinations

Comprehension Quiz 4 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. How many people does *SVT* currently supply potable water to in Norway?
Over one million
2. Who heads (leads) each of the divisions at *SVT*?
A director
3. What may have led to the success of the Engineering Division in terms of productivity per employee?
Ariadne Johansen's autocratic leadership style
4. What percentage of the world's desalination capacity does the Desalination Division account for?
15%
5. What does *H4 PLC* manufacture?
Steam and gas turbines (in four factories in the UK)
6. What was the average age of employees who turned down the flexible-working contract when *H4 PLC* was taken over by *SVT*?
61
7. What does the Consumer Products Division manufacture and sell?
Water filters for use at home
8. What is the name of the water purifier designed by James Azuki?
WF15
9. What decisions do *SVT*'s board of directors need to make?
Decisions in key areas of *SVT*'s operation
10. Who came up with the idea for the competition aimed at inventors and entrepreneurs, to develop a water purifier?
Jayne Dees



For May 2023 examinations

Comprehension Quiz 5

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. How many other countries does *SVT* supply potable water to?

.....

2. How many divisions does *SVT* have?

.....

3. What position does Yannick Pedersen have at *SVT*?

.....

4. What does the Desalination Division construct and operate?

.....

5. How many people around the world does the Fresh Water Division supply potable water to?

.....

6. What did *SVT* do in 2015 to broaden its product range?

.....

7. What does *SVT*'s flagship factory in Norway use to enhance the speed and quality of production?

.....

8. Are all of the directors in favour of subsidizing the WF15?

.....

9. What was offered to *H4 PLC*'s employees who did not want to sign the flexible-working contract following the takeover by *SVT*?

.....

10. Are water filters produced by the Consumer Products Division suitable in countries that have problems with access to potable water?

.....



For May 2023 examinations

Comprehension Quiz 5 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. How many other countries does *SVT* supply potable water to?
Over 20
2. How many divisions does *SVT* have?
Four
3. What position does Yannick Pedersen have at *SVT*?
The director of the Fresh Water Division
4. What does the Desalination Division construct and operate?
Desalination plants
5. How many people around the world does the Fresh Water Division supply potable water to?
Nearly 200 million people
6. What did *SVT* do in 2015 to broaden its product range?
It completed the takeover of *H4 PLC*, a rival engineering company
7. What does *SVT*'s flagship factory in Norway use to enhance the speed and quality of production?
Innovative technologies
8. Are all of the directors in favour of subsidizing the WF15?
No, two of them believe subsidies will negatively impact *SVT*'s overall profitability, thereby upsetting other stakeholders in the business
9. What was offered to *H4 PLC*'s employees who did not want to sign the flexible-working contract following the takeover by *SVT*?
They were offered generous payments to leave *SVT*
10. Are water filters produced by the Consumer Products Division suitable in countries that have problems with access to potable water?
No



For May 2023 examinations

Comprehension Quiz 6

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What does *SVT* build and operate?

.....

2. What does the Consumer Products Division of *SVT* manufacture?

.....

3. Why has Yannick clashed with Ariadne on several occasions?

.....

4. Apart from Norway, state one other country where the Engineering Division has factories in?

.....

5. Which of *SVT*'s departments was met with resistance to change from a significant number of long-serving employees of *H4 PLC*?

.....

6. Is the demand for *SVT*'s wind turbines expected to grow in the near future?

.....

7. Who was the winner of the competition launched by *SVT* that targeted inventors and entrepreneurs?

.....

8. What experience does *SVT* have in distributing consumer products in less economically developed countries (LEDCs)?

.....

9. What did the market research find about TV ownership in LEDCs?

.....

10. Identify any one of the three countries stated in the case study that has benefited from *SVT*'s Outreach Programme?

.....



For May 2023 examinations

Comprehension Quiz 6 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What does *SVT* build and operate?
Water treatment plants
2. What does the Consumer Products Division of *SVT* manufacture?
Home water filters
3. Why has Yannick clashed with Ariadne on several occasions?
Due to perceived differences in their priorities (Yannick feels that updating the machinery in the water treatment plants should not have been delayed)
4. Apart from Norway, state one other country where the Engineering Division has factories in?
Germany and the UK
5. Which of *SVT*'s departments was met with resistance to change from a significant number of long-serving employees of *H4 PLC*?
The Human Resources (HR) department
6. Is the demand for *SVT*'s wind turbines expected to grow in the near future?
Yes, because more countries seek methods of generating electricity that do not rely on burning fossil fuels
7. Who was the winner of the competition launched by *SVT* that targeted inventors and entrepreneurs?
James Azuki
8. What experience does *SVT* have in distributing consumer products in less economically developed countries (LEDCs)?
The company does not have much experience in distributing consumer products in LEDCs
9. What did the market research find about TV ownership in LEDCs?
Only a minority of families owned a television set
10. Identify any one of the three countries stated in the case study that has benefited from *SVT*'s Outreach Programme.
Angola, Sudan, and Yemen



For May 2023 examinations

Comprehension Quiz 7

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. Before it was taken over by *SVT*, what were the working hours of *H4 PLC*'s employees?

.....

2. In which year did the smallest of the former *H4 PLC*'s factories manufacture *SVT*'s first wind turbine?

.....

3. What proportion of they employees declined the flexible-working contract from *SVT* following its takeover of *H4 PLC*? declined the flexible-working contract?

.....

4. What is *SVT* responsible for in the countries in which it operates?

.....

5. What was Yannick Pedersen able to find quickly in response to climate change?

.....

6. What do people in the Desalination Division of *SVT* do?

.....

7. How many of *SVT*'s employees have taken part in the company's Outreach Programme in the last 10 years?

.....

8. What type of market research did *SVT*'s marketing department recently use?

.....

9. What type(s) of growth strategies has *SVT* used to increase its market share in the home water filter industry?

.....

10. What was included in *SVT*'s new employee induction training? *Hint*: where did they visit?

.....



For May 2023 examinations

Comprehension Quiz 7 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. Before it was taken over by *SVT*, what were the working hours of *H4 PLC*'s employees?
From 8.00 am to 5.00 pm each day
2. In which year did the smallest of the former *H4 PLC*'s factories manufacture *SVT*'s first wind turbine?
2022
3. What proportion of the employees declined the flexible-working contract from *SVT* following its takeover of *H4 PLC*? declined the flexible-working contract?
Approximately a quarter of the employees
4. What is *SVT* responsible for in the countries in which it operates?
Maintaining the regional water supply networks
5. What was Yannick Pedersen able to find quickly in response to climate change?
Alternative sources of potable water
6. What do people in the Desalination Division of *SVT* do?
They manufacture and operate desalination plants around the world
7. How many of *SVT*'s employees have taken part in the company's Outreach Programme in the last 10 years?
6,000
8. What type of market research did *SVT*'s marketing department recently use?
Secondary market research
9. What type(s) of growth strategies has *SVT* used to increase its market share in the home water filter industry?
Both internal and external growth strategies (such as taking over many small water filter manufacturers in Europe and the USA).
10. What was included in *SVT*'s new employee induction training? *Hint*: where did they visit?
A visit to *SVT*'s flagship factory in Norway



For May 2023 examinations

Comprehension Quiz 8

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What does the Fresh Water Division of *SVT* supply to its customers?

.....

2. What is Yannick Pedersen's leadership style?

.....

3. Who is the director of the Engineering Division?

.....

4. Who are *Geng PLC*?

.....

5. What is the main market for the much smaller desalination plants that are manufactured by *SVT's* Desalination Division?

.....

6. Did *H4 PLC* make use of any methods of motivation for its employees beyond paying competitive salaries?

.....

7. By how much did *SVT's* share price change between 2005 and 2010?

.....

8. Were people with the required skills (to replace *H4 PLC's* former employees who did not sign the flexible-working contract) in short supply in the UK?

.....

9. What did *SVT* embark on after acquiring *H4 PLC*?

.....

10. Which two types of business entities does *SVT* work with to identify projects for the company's Outreach Programme?

.....



For May 2023 examinations

Comprehension Quiz 8 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What does the Fresh Water Division of *SVT* supply to its customers?
Potable water
2. What is Yannick Pedersen's leadership style?
Situational
3. Who is the director of the Engineering Division?
Ariadne Johansen
4. Who are *Geng PLC*?
A major water supplier in the United Kingdom (UK)
5. What is the main market for the much smaller desalination plants that are manufactured by *SVT's* Desalination Division?
Seagoing vessels
6. Did *H4 PLC* make use of any methods of motivation for its employees beyond paying competitive salaries?
No, it did not make any use other financial or non-financial methods of motivation for its employees
7. By how much did *SVT's* share price change between 2005 and 2010?
The share price rose by 65%
8. Were people with the required skills (to replace *H4 PLC's* former employees who did not sign the flexible-working contract) in short supply in the UK?
Yes
9. What did *SVT* embark on after acquiring *H4 PLC*?
SVT undertook a modernization program and reorganization of the operations of *H4 PLC's* factories in the UK
10. Which two types of business entities does *SVT* work with to identify projects for the company's Outreach Programme?
SVT works with charities and non-governmental organizations (NGOs) to identify projects for its Outreach Programme



For May 2023 examinations

Comprehension Quiz 9

To help improve your application skills, review the *SVT* case study, and then answer these questions.

1. What does the Engineering Division of *SVT* manufacture?

.....

2. Which term refers to the process of removing salts and other minerals from sea water to produce water suitable for human consumption or irrigation?

.....

3. What was *SVT*'s goal for *H4 PLC*'s factories after the takeover?

.....

4. What kind of employees did *SVT* want to appoint for a variety of different jobs after the takeover of *H4 PLC*?

.....

5. What types of activities do *SVT*'s employees participate in as part of the company's Outreach Programme?

.....

6. What is the majority opinion of the board members on the pricing strategy for the WF15 water purifiers designed by James Azuki?

.....

7. Which of *SVT*'s departments carried out secondary research to investigate the spending patterns of low-income families in LEDCs and their access to media?

.....

8. Were the salaries of *H4 PLC*'s employees competitive before the takeover by *SVT*?

.....

9. How long did it take for *SVT* to fill all 300 vacancies following the mass exodus of employees from *H4 PLC*?

.....

10. What was the amount of prize money offered to the winner of *SVT*'s competition?

.....



For May 2023 examinations

Comprehension Quiz 9 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What does the Engineering Division of *SVT* manufacture?
Water treatment equipment and power turbines
2. Which term refers to the process of removing salts and other minerals from sea water to produce water suitable for human consumption or irrigation?
Desalination
3. What was *SVT*'s goal for *H4 PLC*'s factories after the takeover?
To make the factories operate 24 hours a day, every day of the week, with three eight-hour shifts per day
4. What kind of employees did *SVT* want to appoint for a variety of different jobs after the takeover of *H4 PLC*?
Highly skilled and specialized employees
5. What types of activities do *SVT*'s employees participate in as part of the company's Outreach Programme?
Teach in schools, dig wells, repair infrastructure, and provide training to local people
6. What is the majority opinion of the board members on the pricing strategy for the WF15 water purifiers designed by James Azuki?
They believe the WF15 should be a not-for-profit operation of the company
7. Which of *SVT*'s departments carried out secondary research to investigate the spending patterns of low-income families in LEDCs and their access to media?
The marketing department
8. Were the salaries of *H4 PLC*'s employees competitive before the takeover by *SVT*?
Yes, and similar to those offered by rival businesses
9. How long did it take for *SVT* to fill all 300 vacancies following the mass exodus of employees from *H4 PLC*?
Within three months
10. What was the amount of prize money offered to the winner of *SVT*'s competition?
\$100,000



For May 2023 examinations

Comprehension Quiz 10

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What is the view of Ariadne Johansen's leadership style by many employees?

.....

2. What has caused an increase in the sales of smaller desalination plants since 2015?

.....

3. How did *SVT* overcome the resistance to the change following its takeover of *H4 PLC*?

.....

4. What enabled *SVT* to increase its dividend payments each year between 2005 and 2010?
Answer: Increase its dividends each year?

.....

5. What is the minority opinion of the board members on the pricing strategy for the WF15 water purifiers?

.....

6. How did *SVT* expand into other business sectors in the 1980s (such as desalination and household water treatment products)?

.....

7. What was the objective of the modernization programme of the former *H4 PLC factories*?

.....

8. What is the name of the major water supplier in the United Kingdom (UK) that was recently acquired by the Fresh Water Division?

.....

9. True or False - The vision statement of *SVT* has remained unchanged since its founding?

.....

10. How many of *SVT's* directors are against subsidizing the WF15, as they believe subsidies will negatively impact the company's overall profitability?

.....



For May 2023 examinations

Comprehension Quiz 10 (Answers)

To help improve your application skills, review the *SVT* case study, and then answer these questions. Try to answer the questions without referring to the case study.

1. What is the view of Ariadne Johansen's leadership style by many employees?
Autocratic
2. What has caused an increase in the sales of smaller desalination plants since 2015?
The large increase in the demand for cruise holidays in the last 20 years, which has boosted sales of these plants by 300%
3. How did *SVT* overcome the resistance to the change following its takeover of *H4 PLC*?
It offered a one-time incentive payment to employees who agreed to sign a new flexible-working contract
4. What enabled *SVT* to increase its dividend payments each year between 2005 and 2010?
Answer: Increase its dividends each year?
***SVT's* annual profits doubled**
5. What is the minority opinion of the board members on the pricing strategy for the WF15 water purifiers?
They believe the company should subsidize the product to make it affordable to as many people as possible
6. How did *SVT* expand into other business sectors in the 1980s (such as desalination and household water treatment products)?
By acquiring other producers
7. What was the objective of the modernization programme of the former *H4 PLC* factories?
To increase output by operating these factories 24 hours a day, seven days a week, with three shifts per day
8. What is the name of the major water supplier in the United Kingdom (UK) that was recently acquired by the Fresh Water Division?
Geng PLC
9. True or False - The vision statement of *SVT* has remained unchanged since its founding?
True
10. How many of *SVT's* directors are against subsidizing the WF15, as they believe subsidies will negatively impact the company's overall profitability?
Two



For May 2023 examinations

True or False Quiz 1

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>Skandvig Terra PLC (SVT)</i> is organized into 4 divisions based on product. True	
2. <i>SVT</i> initially only produced and delivered potable water in Norway.	
3. Yannick Pedersen's leadership style is the same as Ariadne's leadership style?	
4. <i>SVT's</i> Fresh Water Division only supplies potable water to people in the UK.	
5. <i>SVT</i> completed the takeover of <i>H4 PLC</i> , a rival engineering company, back in 2015	
6. <i>SVT's</i> board of directors approved a substantial five-year marketing budget in 2018.	
7. <i>H4 PLC</i> never made use of any financial or non-financial methods of motivation for its employees before its takeover by <i>SVT</i> .	
8. Jayne Dees is a director of <i>SVT</i> .	
9. Since 2016, <i>H4 PLC's</i> factories operate 24 hours a day, seven days a week.	
10. Low-income families in less economically developed countries (LEDCs) frequently purchase newspapers and magazines.	



For May 2023 examinations

True or False Quiz 1

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. <i>Skandvig Terra PLC (SVT)</i> is organized into 4 divisions based on product. True	True
2. SVT initially only produced and delivered potable water in Norway.	True
3. Yannick Pedersen's leadership style is the same as Ariadne's leadership style?	False – Yannick is situational, whereas Ariadne is autocratic
4. SVT's Fresh Water Division only supplies potable water to people in the UK.	False - it supplies potable water to nearly 200 million people around the world
5. SVT completed the takeover of <i>H4 PLC</i> , a rival engineering company, back in 2015	True
6. SVT's board of directors approved a substantial five-year marketing budget in 2018.	True
7. <i>H4 PLC</i> never made use of any financial or non-financial methods of motivation for its employees before its takeover by SVT.	True
8. Jayne Dees is a director of SVT.	True
9. Since 2016, <i>H4 PLC</i> 's factories operate 24 hours a day, seven days a week.	True
10. Low-income families in less economically developed countries (LEDCs) frequently purchase newspapers and magazines.	False



For May 2023 examinations

True or False Quiz 2

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT's vision statement has changed since its founding.	
2. The Fresh Water Division supplies potable water.	
3. Ariadne Johansen is SVT's director of the Engineering Division.	
4. The Fresh Water Division has grown only through internal growth strategies.	
5. H4 PLC manufactures steam and gas turbines to produce electricity.	
6. SVT took over H4 PLC in 2015 to broaden its product range.	
7. Labour productivity at H4 PLC's factories has improved in the last six year.	
8. SVT's Outreach Programme provides free skilled labour to LEDCs using the company's employees have chosen to take a career break.	
9. Jayne Dees was in Sudan for three months as part of SVT's Outreach Programme.	
10. SVT has a distribution channel for the WF15 in place for LEDCs.	



For May 2023 examinations

True or False Quiz 2

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT's vision statement has changed since its founding.	False
2. The Fresh Water Division supplies potable water.	True
3. Ariadne Johansen is SVT's director of the Engineering Division.	True
4. The Fresh Water Division has grown only through internal growth strategies.	False - it recently acquired Geng PLC
5. H4 PLC manufactures steam and gas turbines to produce electricity.	True
6. SVT took over H4 PLC in 2015 to broaden its product range.	True
7. Labour productivity at H4 PLC's factories has improved in the last six year.	True - the modernization programme was finished in 2016
8. SVT's Outreach Programme provides free skilled labour to LEDCs using the company's employees have chosen to take a career break.	True
9. Jayne Dees was in Sudan for three months as part of SVT's Outreach Programme.	True
10. SVT has a distribution channel for the WF15 in place for LEDCs.	False



For May 2023 examinations

True or False Quiz 3

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT only supplies potable water to people in Norway.	
2. The Desalination Division constructs and operates desalination plants.	
3. In the last 10 years, 6,000 SVT employees have participated in the Outreach Programme.	
4. Ariadne Johansen uses a situational leadership style.	
5. <i>H4 PLC</i> was a family-owned business, so the board of directors of the company were not eager to embrace change.	
6. SVT experienced a significant exodus of former employees from <i>H4 PLC</i> after it had been taken over.	
7. The Engineering Division only has factories in Norway.	
8. After recruiting 300 employees for <i>H4 PLC</i> 's UK factories, the new employees visited SVT's flagship factory in Norway as part of their induction training.	
9. SVT's Consumer Products Division only manufactures and sells water filters for use at home.	
10. SVT's board of directors were not impressed by Jayne Dees' proposal to develop and launch water filters.	



For May 2023 examinations

True or False Quiz 3

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT only supplies potable water to people in Norway.	False – it supplies potable water to millions of households in over 20 countries
2. The Desalination Division constructs and operates desalination plants.	True
3. In the last 10 years, 6,000 SVT employees have participated in the Outreach Programme.	True
4. Ariadne Johansen uses a situational leadership style.	False - autocratic
5. H4 PLC was a family-owned business, so the board of directors of the company were not eager to embrace change.	True
6. SVT experienced a significant exodus of former employees from H4 PLC after it had been taken over.	True
7. The Engineering Division only has factories in Norway.	False - there are also factories in Germany and the UK
8. After recruiting 300 employees for H4 PLC's UK factories, the new employees visited SVT's flagship factory in Norway as part of their induction training.	True
9. SVT's Consumer Products Division only manufactures and sells water filters for use at home.	True
10. SVT's board of directors were not impressed by Jayne Dees' proposal to develop and launch water filters.	False



For May 2023 examinations

True or False Quiz 4

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. The Engineering Division only manufactures water treatment equipment.	
2. SVT supplies potable water to millions of households in over 20 countries.	
3. Many employees see Ariadne Johansen as an autocratic leader.	
4. The Desalination Division has a monopoly by providing the majority of the world's desalination capacity?	
5. After being taken over by SVT, H4 PLC's employees who had rejected the flexible-working contracts decided to leave the company.	
6. The smallest of H4 PLC's former factories has the capacity to manufacture 10 large turbines per year.	
7. SVT's priority is to become the brand leader in the home water filter industry in the USA.	
8. Jayne Dees recommended the development of water filters for use in countries with limited access to potable water.	
9. James Azuki is a student based in the USA.	
10. SVT has experience distributing consumer products in LEDCs.	



For May 2023 examinations

True or False Quiz 4

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. The Engineering Division only manufactures water treatment equipment.	False – it also manufactures power turbines
2. SVT supplies potable water to millions of households in over 20 countries.	True
3. Many employees see Ariadne Johansen as an autocratic leader.	True
4. The Desalination Division has a monopoly by providing the majority of the world's desalination capacity?	False - it provides 15% of the world's desalination capacity
5. After being taken over by SVT, H4 PLC's employees who had rejected the flexible-working contracts decided to leave the company.	True
6. The smallest of H4 PLC's former factories has the capacity to manufacture 10 large turbines per year.	True
7. SVT's priority is to become the brand leader in the home water filter industry in the USA.	False - both Europe and the USA
8. Jayne Dees recommended the development of water filters for use in countries with limited access to potable water.	True
9. James Azuki is a student based in the USA.	False – he is in Tanzania
10. SVT has experience distributing consumer products in LEDCs.	False



For May 2023 examinations

True or False Quiz 5

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT builds and operates water treatment plants in all of the countries where it supplies water.	
2. The Consumer Products Division manufacture home water filters.	
3. Ariadne Johansen's leadership style resulted in the Engineering Division being one of the industry leaders as measured by productivity per employee.	
4. The global water desalination market is expected to fall in the next 10 years.	
5. SVT seeks to hire employees who work well within a team environment.	
6. SVT's employees who take part in the Outreach Programme are given a three-month paid career break.	
7. The prize money for the winner of a competition to develop a water purifier was \$100,000.	
8. The Engineering Division of SVT began production of the WF15 in 2022.	
9. Quick decision-making is only possible in the Fresh Water Division?	
10. The smallest of the former <i>H4 PLC</i> factories manufactures SVT's first wind turbines.	



For May 2023 examinations

True or False Quiz 5

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT builds and operates water treatment plants in all of the countries where it supplies water.	True
2. The Consumer Products Division manufacture home water filters.	True
3. Ariadne Johansen's leadership style resulted in the Engineering Division being one of the industry leaders as measured by productivity per employee.	True
4. The global water desalination market is expected to fall in the next 10 years.	False - it is expected to double, creating opportunities for SVT
5. SVT seeks to hire employees who work well within a team environment.	True
6. SVT's employees who take part in the Outreach Programme are given a three-month paid career break.	True
7. The prize money for the winner of a competition to develop a water purifier was \$100,000.	True
8. The Engineering Division of SVT began production of the WF15 in 2022.	True
9. Quick decision-making is only possible in the Fresh Water Division?	False – this exists in all 4 divisions
10. The smallest of the former H4 PLC factories manufactures SVT's first wind turbines.	True



For May 2023 examinations

True or False Quiz 6

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. In the countries where SVT operates, it is responsible for maintaining the regional water supply networks.	
2. Yannick Pedersen is the director of the Engineering Division.	
3. Yannick's leadership style is viewed as autocratic by employees in his division.	
4. <i>Geng PLC</i> is the first acquisition made by SVT's Fresh Water Division.	
5. The Desalination Division operates desalination plants (factories).	
6. SVT's water filters are suitable for use in countries with problems with access to potable water.	
7. SVT pays the travel expenses and accommodation costs of employees who take part in its Outreach Programme.	
8. Ten years ago, SVT launched a competition for designers and innovators to develop a water purifier.	
9. The water produced by the <i>WF15</i> does currently not meet World Health Organization standards for potable water.	
10. <i>H4 PLC</i> 's labour turnover figures are consistently below the national average.	



For May 2023 examinations

True or False Quiz 6

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. In the countries where SVT operates, it is responsible for maintaining the regional water supply networks.	True
2. Yannick Pedersen is the director of the Engineering Division.	False – he is the director of the Fresh Water Division
3. Yannick's leadership style is viewed as autocratic by employees in his division.	False – he is a situational leader
4. <i>Geng PLC</i> is the first acquisition made by SVT's Fresh Water Division.	False - it was the most recent acquisition, implying that there were others before this
5. The Desalination Division operates desalination plants (factories).	True
6. SVT's water filters are suitable for use in countries with problems with access to potable water.	False
7. SVT pays the travel expenses and accommodation costs of employees who take part in its Outreach Programme.	True
8. Ten years ago, SVT launched a competition for designers and innovators to develop a water purifier.	False (2020)
9. The water produced by the <i>WF15</i> does currently not meet World Health Organization standards for potable water.	False
10. <i>H4 PLC</i> 's labour turnover figures are consistently below the national average.	True



For May 2023 examinations

True or False Quiz 7

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT has a regional monopoly in each country in which it operates in.	
2. The director of the Desalination Division is able to make quick decisions in response to changing market conditions.	
3. SVT's Desalination Division has only a single income (revenue) stream.	
4. The sales of desalination plants for seagoing vessels have decreased since 2015 due to the lower demand for cruise holidays.	
5. The Engineering Division of SVT only operates in Norway, Germany, and the UK.	
6. Between 2005 and 2010, total contribution at SVT's Consumer Products Division fell, thereby negatively affecting its overall profits.	
7. SVT's annual profits doubled between 2005 and 2010.	
8. The Outreach Programme set up by SVT is part of the company's commitment to CSR.	
9. Today, most low-income families in LEDCs own a television.	
10. The WF15 is capable of producing enough potable water for four people per day with only a few hours of sunlight (solar) charging.	



For May 2023 examinations

True or False Quiz 7

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT has a regional monopoly in each country in which it operates in.	True
2. The director of the Desalination Division is able to make quick decisions in response to changing market conditions.	True
3. SVT's Desalination Division has only a single income (revenue) stream.	False - it has two income streams (see line 37)
4. The sales of desalination plants for seagoing vessels have decreased since 2015 due to the lower demand for cruise holidays.	False - it has increased by 300%!
5. The Engineering Division of SVT only operates in Norway, Germany, and the UK.	True
6. Between 2005 and 2010, total contribution at SVT's Consumer Products Division fell, thereby negatively affecting its overall profits.	False – it rose consistently
7. SVT's annual profits doubled between 2005 and 2010.	True
8. The Outreach Programme set up by SVT is part of the company's commitment to CSR.	True – to support people in LEDCs
9. Today, most low-income families in LEDCs own a television.	False
10. The WF15 is capable of producing enough potable water for four people per day with only a few hours of sunlight (solar) charging.	True



For May 2023 examinations

True or False Quiz 8

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT expanded into other business sectors in the 2010s.	
2. Each of SVT's divisions is headed by a director with operational and tactical authority.	
3. Yannick thinks that Ariadne has different priorities, which has led to some disagreements between them.	
4. SVT operates desalination plants in all 120 countries that use such plants.	
5. H4 PLC originally operated 5 days a week.	
6. The 300 vacancies for a variety of jobs that became vacant after SVT's takeover H4 PLC all required highly skilled and specialized employees.	
7. Prior to its takeover, H4 PLC never made use of other financial methods of motivation beyond salaries for its employees.	
8. SVT increased its market share in the home water filter industry by its reliance on external growth strategies.	
9. Jayne Dees' research suggested the water filters should be powered by electricity.	
10. All of SVT's board members agree on the pricing strategy for the WF15.	



For May 2023 examinations

True or False Quiz 8

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT expanded into other business sectors in the 2010s.	False – this was in the 1980s
2. Each of SVT's divisions is headed by a director with operational and tactical authority.	True
3. Yannick thinks that Ariadne has different priorities, which has led to some disagreements between them.	True
4. SVT operates desalination plants in all 120 countries that use such plants.	False – it operates in only 19 of the 120 countries
5. H4 PLC originally operated 5 days a week.	True (although H4 PLC now operates 24/7)
6. The 300 vacancies for a variety of jobs that became vacant after SVT's takeover H4 PLC all required highly skilled and specialized employees.	True
7. Prior to its takeover, H4 PLC never made use of other financial methods of motivation beyond salaries for its employees.	True
8. SVT increased its market share in the home water filter industry by its reliance on external growth strategies.	False – it used internal and external growth strategies
9. Jayne Dees' research suggested the water filters should be powered by electricity.	False (solar power)
10. All of SVT's board members agree on the pricing strategy for the WF15.	False – they have not yet agreed on this



For May 2023 examinations

True or False Quiz 9

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT expanded into desalination and household water treatment products by starting new companies.	
2. Yannick Pedersen and Ariadne Johansen get along very well in the workplace.	
3. The Fresh Water Division stores water in natural reservoirs.	
4. Prior to its takeover, the employees at <i>H4 PLC</i> were paid competitive salaries.	
5. SVT's HR department was met with resistance to the modernization and reorganization programme from all of <i>H4 PLC</i> 's employees.	
6. SVT has grown through its reliance on acquiring small water filter manufacturers based in Europe.	
7. The water purifier developed by James Azuki was named "WF15".	
8. Secondary market research by SVT's marketing department revealed that the level of social media usage in LEDCs is about the same as in more economically developed economies (MEDCs).	
9. The water filters recommended by Jayne Dees should have a lifespan of 3 – 5 years.	
10. Prior to its takeover, <i>H4 PLC</i> never made use of non-financial methods of motivation for its employees.	



For May 2023 examinations

True or False Quiz 9

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT expanded into desalination and household water treatment products by starting new companies.	False – this was done through acquisitions
2. Yannick Pedersen and Ariadne Johansen get along very well in the workplace.	False – they have clashed on several occasions
3. The Fresh Water Division stores water in natural reservoirs.	False – it stores water in large, manufactured reservoirs
4. Prior to its takeover, the employees at <i>H4 PLC</i> were paid competitive salaries.	True
5. SVT's HR department was met with resistance to the modernization and reorganization programme from all of <i>H4 PLC</i> 's employees.	False – this came from a significant number of long serving employees
6. SVT has grown through its reliance on acquiring small water filter manufacturers based in Europe.	False – it has also acquired many small manufacturers in the USA
7. The water purifier developed by James Azuki was named "WF15".	True
8. Secondary market research by SVT's marketing department revealed that the level of social media usage in LEDCs is about the same as in more economically developed economies (MEDCs).	True
9. The water filters recommended by Jayne Dees should have a lifespan of 3 – 5 years.	False (10 years)
10. Prior to its takeover, <i>H4 PLC</i> never made use of non-financial methods of motivation for its employees.	True



For May 2023 examinations

True or False Quiz 10

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. SVT expanded into desalination and household water treatment products by acquiring other companies.	True
2. The director of each division holds the same amount of operational and tactical authority.	
3. The Fresh Water Division sources water from rivers only.	
4. The demand for cruise holidays has decreased in the last 20 years.	
5. After taking over <i>H4 PLC</i> , SVT's HR department organized recruitment to fill the 300 vacancies created because many of the former employees had decided to leave the company.	
6. Any member of staff at SVT can participate in the company's Outreach Programme.	
7. SVT does not currently produce low-cost, easily transportable water purifiers.	
8. Desalination is the process of adding salts to water.	
9. SVT's HR department had major problems filling the 300 vacancies after long-serving members of staff at <i>H4 PLC</i> refused to sign a new flexible-working contract.	
10. The demand for wind turbines is expected to fall due to many low-income countries relying more on burning fossil fuels.	



For May 2023 examinations

True or False Quiz 10

Answer 'True' or 'False' to each of the statements below based on the *Skandvig Terra PLC* case study. There are ten sets of these quizzes, each with ten questions (statements).

Answers

Statements	True or False?
1. SVT expanded into desalination and household water treatment products by acquiring other companies.	True
2. The director of each division holds the same amount of operational and tactical authority.	True
3. The Fresh Water Division sources water from rivers only.	False – also from surface water deposits and subterranean aquifers
4. The demand for cruise holidays has decreased in the last 20 years.	False – it has increased significantly
5. After taking over <i>H4 PLC</i> , SVT's HR department organized recruitment to fill the 300 vacancies created because many of the former employees had decided to leave the company.	True
6. Any member of staff at SVT can participate in the company's Outreach Programme.	False – they must have 10 years of continuous service
7. SVT does not currently produce low-cost, easily transportable water purifiers.	False – the WF15 was launched in 2022
8. Desalination is the process of adding salts to water.	False – it removes salts and other minerals from sea water
9. SVT's HR department had major problems filling the 300 vacancies after long-serving members of staff at <i>H4 PLC</i> refused to sign a new flexible-working contract.	False – all 300 vacancies were filled within 3 months
10. The demand for wind turbines is expected to fall due to many low-income countries relying more on burning fossil fuels.	False – its demand is expected to grow year on year

IB Business Management – Paper 1 Case Study Pack
Case Study: Skandvig Terra PLC
A – Z Quiz



For May 2023 examinations

Complete the A - Z quiz to check your comprehension of the *Skandvig Terra PLC* case study.

	Clue	Answer
A	Ariadne's leadership style, as perceived by many employees.	
B	SVT's executive team that holds strategic decision-making power.	
C	SVT's division that manufactures home water filters.	
D	A senior executive responsible for the operations and the performance of a company or one of its divisions.	
E	SVT's division that manufactures water treatment equipment and power turbines.	
F	Yannick Pedersen is the director of this division of SVT.	
G	A major water supplier in the United Kingdom, recently acquired by SVT.	
H	The company taken over by SVT in 2015.	
I	The Engineering Division is an leader in the measure of productivity per employee.	
J	Director who spent 3 months on the Outreach Programme.	
K	Geng PLC is a major water supplier in this country – United	
L	SVT's Consumer Products Division aims to become the brand in both Europe and the USA.	
M	Research shows low-income families in LEDCs rarely buy these.	
N	Country where <i>Skandvig Terra PLC (SVT)</i> was founded.	
O	Level or type of authority held by company directors.	
P	A measure of how well things are done, e.g., output per worker.	
Q	The proportion of <i>H4 PLC</i> 's employees, with an average age of 61, that turned down the flexible-working contract offered by SVT.	
R	SVT has this type of monopoly in each country in which it operates.	
S	Leadership style based on the idea that there is no single best way to lead but to adapt to different circumstances accordingly.	
T	External growth method that involves buying a controlling interest in another business	
U	Geng PLC is a major water supplier in this country.	
V	A declaration of where an organization aspires to be in the future, creating a clear sense of purpose.	
W	Name of SVT's water purifier designed by James Azuki.	
X	Situational leadership is suitable for dealing with change in the .X..... environment.	
Y	This director has clashed with Ariadne on several occasions.	
Z	The water filters from SVT's Consumer Products Division remove this metal from water in the home.	



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Answers

	Clue	Answer
A	Ariadne's leadership style, as perceived by many employees.	Autocratic (23)
B	SVT's executive team that holds strategic decision-making power.	Board of directors (51)
C	SVT's division that manufactures home water filters.	Consumer Products (14)
D	A senior executive responsible for the operations and the performance of a company or one of its divisions.	Director (15)
E	SVT's division that manufactures water treatment equipment and power turbines.	Engineering (13)
F	Yannick Pedersen is the director of this division of SVT.	Fresh Water
G	A major water supplier in the United Kingdom, recently acquired by SVT.	Geng PLC (32)
H	The company taken over by SVT in 2015.	H4 PLC
I	The Engineering Division is an leader in the measure of productivity per employee.	Industry (23 – 24)
J	Director who spent 3 months on the Outreach Programme.	Jayne Dees (106)
K	Geng PLC is a major water supplier in this country – United	Kingdom (33)
L	SVT's Consumer Products Division aims to become the brand in both Europe and the USA.	Leader (92)
M	Research shows low-income families in LEDCs rarely buy these.	Magazines (137)
N	Country where Skandvig Terra PLC (SVT) was founded.	Norway (1)
O	Level or type of authority held by company directors.	Operational (15)
P	A measure of how well things are done, e.g., output per worker.	Productivity (24)
Q	The proportion of H4 PLC's employees, with an average age of 61, that turned down the flexible-working contract offered by SVT.	Quarter (63)
R	SVT has this type of monopoly in each country in which it operates.	Regional (7)
S	Leadership style based on the idea that there is no single best way to lead but to adapt to different circumstances accordingly.	Situational (19)
T	External growth method that involves buying a controlling interest in another business	Takeover (49)
U	Geng PLC is a major water supplier in this country.	UK (32–33)
V	A declaration of where an organization aspires to be in the future, creating a clear sense of purpose.	Vision statement (2)
W	Name of SVT's water purifier designed by James Azuki.	WF15
X	Situational leadership is suitable for dealing with change in the .X..... environment.	External (21)
Y	This director has clashed with Ariadne on several occasions.	Yannick (24 – 26)
Z	The water filters from SVT's Consumer Products Division remove this metal from water in the home.	Zinc (84)



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Multiple Choice Questions

How much do you really know about the tools, theories, and techniques referred to in the SVT case study? Answer the following set of MCQs to find out.

1. Autocratic leadership is a type of leadership which
 - A. Encourages creativity and initiative
 - B. Offers support and guidance to employees
 - C. Requires complete conformity and obedience
 - D. Relies on group decision-making

2. Which type of leadership is most effective when the task is complex and requires a high degree of skill and experience?
 - A. Autocratic
 - B. Democratic
 - C. Laissez-faire
 - D. Situational

3. What is the main purpose of corporate social responsibility (CSR)?
 - A. To increase a firm's market share
 - B. To make a positive impact on communities and societies
 - C. To maximize a company's profits
 - D. To reduce costs of production

4. Which of the following is least likely to be associated with corporate social responsibility
 - A. Improved public image
 - B. Increased employee morale
 - C. Lower operational costs
 - D. Less focus of core competencies

5. Which of the following is an external stakeholder for SVT?
 - A. Customers
 - B. Employees
 - C. Geng PLC
 - D. H4 PLC



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6. Which of the following is the goal of a non-governmental organization (NGO)?
- A. To influence government policies
 - B. To inspire and promote social welfare
 - C. To protect the natural environment
 - D. To raise finance from private donors and sponsorships
7. Which of the following is not a method of secondary market research?
- A. Financial statements
 - B. Observations
 - C. Published reports
 - D. Sales reports
8. What is typically included in induction training?
- A. An overview of the organization's goods and services
 - B. An introduction to the organization's policies and procedures
 - C. An evaluation of the skills and knowledge of new recruits
 - D. Instructions on how to complete routine tasks
9. What is the following is least likely to be an outcome of improved financial methods of motivation in the workplace?
- A. Decreased costs
 - B. Improved employee morale
 - C. Increased employee loyalty
 - D. Increased job satisfaction
10. What is the main advantage of secondary market research?
- A. Access to quantitative data
 - B. Accuracy over primary market research
 - C. Cost savings
 - D. More up to date than primary research data



For May 2023 examinations

Answers

Multiple Choice Questions

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 - Employees
 - Geng PLC
 - H4 PLC



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 - C. Cost savings**
 - D. More up to date than primary research data



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Test your understanding of some of the key terms featured in the SVT case study.

Note: This wordsearch includes phrases (key terms) that may appear horizontally, vertically, diagonally, forwards, or backwards.

A	E	R	A	H	S	T	E	K	R	A	M	E	J
E	N	T	R	E	P	R	E	N	E	U	R	S	O
S	G	C	A	U	T	O	C	R	A	T	I	C	F
D	N	L	C	M	P	R	O	F	I	T	D	G	T
D	I	B	Q	E	M	P	L	O	Y	E	E	S	N
I	N	D	U	C	T	I	O	N	Q	U	N	I	E
V	I	P	S	Z	O	S	Y	U	U	R	E	P	M
I	A	R	I	T	K	L	A	I	M	S	E	O	T
D	R	S	T	Y	O	C	O	S	T	S	D	T	I
E	T	B	I	P	R	O	D	U	C	T	S	A	U
N	I	C	O	N	S	U	M	E	R	S	R	B	R
D	X	N	N	E	P	R	I	C	E	V	S	L	C
S	O	B	J	E	C	T	I	V	E	S	T	E	E
M	D	I	V	I	S	I	O	N	S	W	A	Y	R

CLUES

Hint: The answers to the clues are in alphabetical order.

1. External growth method that occurs with mutual consent with one company buying a majority stake in the other.
2. The long-term goal of SVT.
3. Leader style that involves person making all decisions and tells others what to do.



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4. The end-users of a product, such as *SVT's* home water filters.
5. Items of expenditure by a business when producing its goods and/or services.
6. Share of the net profits that a company distributes (pays) to its shareholders.
7. The four distinct strategic business unit (SBU) of *SVT*.
8. Internal stakeholders who work for *SVT*.
9. Those who bear the financial risks of starting and managing a business.
10. Training specifically for new recruits to help them acclimatise to the new organization.
11. Percentage of all sales in a market that is held by one brand or a business.
12. A sole supplier or producer of a good or service.
13. The physiological requirements that are essential to all human beings.
14. The goals or targets of an organization.
15. Water that has been treated so that it is safe for human consumption.
16. Collective term for goods or services sold to satisfy the needs and wants of customers.
17. Calculated by subtracting total costs from total revenue.
18. The value paid by customers to purchase a good or service.
19. The process of hiring suitable workers for job roles within an organization.
20. Process of developing the knowledge and skills of workers in the workplace.



Answers

A	E	R	A	H	S	T	E	K	R	A	M	E	J
E	N	T	R	E	P	R	E	N	E	U	R	S	O
S	G	C	A	U	T	O	C	R	A	T	I	C	F
D	N	L	C	M	P	R	O	F	I	T	D	G	T
D	I	B	Q	E	M	P	L	O	Y	E	E	S	N
I	N	D	U	C	T	I	O	N	Q	U	N	I	E
V	I	P	S	Z	O	S	Y	U	U	R	E	P	M
I	A	R	I	T	K	L	A	I	M	S	E	O	T
D	R	S	T	Y	O	C	O	S	T	S	D	T	I
E	T	B	I	P	R	O	D	U	C	T	S	A	U
N	I	C	O	N	S	U	M	E	R	S	R	B	R
D	X	N	N	E	P	R	I	C	E	V	S	L	C
S	O	B	J	E	C	T	I	V	E	S	T	E	E
M	D	I	V	I	S	I	O	N	S	W	A	Y	R

Clues

- External growth method that occurs with mutual consent with one company buying a majority stake in the other.
ACQUISITION
- The long-term goal of SVT.
AIMS
- Leader style that involves person making all decisions and tells others what to do.
AUTOCRATIC
- The end-users of a product, such as SVT's home water filters.
CONSUMERS



For May 2023 examinations

5. Items of expenditure by a business when producing its goods and/or services.
COSTS
6. Share of the net profits that a company distributes (pays) to its shareholders.
DIVIDENDS
7. The four distinct strategic business unit (SBU) of SVT.
DIVISIONS
8. Internal stakeholders who work for SVT.
EMPLOYEES
9. Those who bear the financial risks of starting and managing a business.
ENTREPRENEURS
10. Training specifically for new recruits to help them acclimatise to the new organization.
INDUCTION
11. Percentage of all sales in a market that is held by one brand or a business.
MARKET SHARE
12. A sole supplier or producer of a good or service.
MONOPOLY
13. The physiological requirements that are essential to all human beings.
NEEDS
14. The goals or targets of an organization.
OBJECTIVES
15. Water that has been treated so that it is safe for human consumption.
POTABLE
16. Collective term for goods or services sold to satisfy the needs and wants of customers.
PRODUCTS
17. Calculated by subtracting total costs from total revenue.
PROFIT
18. The value paid by customers to purchase a good or service.
PRICE
19. The process of hiring suitable workers for job roles within an organization.
RECRUITMENT
20. Process of developing the knowledge and skills of workers in the workplace.
TRAINING



For May 2023 examinations

Use the SVT case study to construct a SWOT analysis for the organization.

Strengths

Weaknesses

Opportunities

Threats



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SWOT analysis for Skandvig Terra PLC (SVT)

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

Line numbers from the SVT case study are shown in brackets for ease of reference.

Note: The examples below are not prescriptive and it may be possible for students to justify a different category within a SWOT analysis. The important thing is that answers in the final examination must be fully justified / substantiated through the use of reasoning.

Strengths

- Having a clear, well-defined, and well-established vision statement (line 2) provides a strong sense of direction and purpose to an organization and its employees. This enables all stakeholders to understand what the business strives to achieve.
- SVT is a large and established company, supplying potable water to millions of customers in over 20 other countries (lines 4 – 5). The Fresh Water Division supplies potable water to nearly 200 million people around the world (line 30 – 31).
- SVT dominates in the countries that it operates in as it is a regional monopoly (line 7). This means the business can charge higher prices due to the lack of substitutes available. This can help to raise SVT's profitability.
- SVT has operations in different business sectors (line 8), including desalination and household water treatment products. This provides additional revenue streams for the company as well as spreading risks.
- SVT has grown through acquiring other companies (line 9), including its latest acquisition of Geng PLC. This helps to strengthen the company's position in the market.
- There is quick decision making (lines 15 – 16) as each of SVT's four divisions is led by a director with decision-making authority.
- The Fresh Water Division, led by Yannick Pedersen, is able to respond quickly to unexpected changes in the external environment (lines 19 – 21).
- The Engineering Division, led by Ariadne Johansen, is one of the industry leaders as measured by productivity per employee (lines 21 – 24).



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Strengths (continued)...

- *SVT* is a large company catering for a large customer base. For example:
 - The Engineering Division supplies potable water to nearly 200 million people around the world (lines 30 – 31).
 - *SVT*'s Desalination Division manufactures and operates desalination plants around the world (lines 36 – 37). It provides 15% of the world's desalination capacity (line 38).
- *SVT*'s recent acquisition of *Geng PLC*, a major water supplier in the United Kingdom (lines 32 – 33), further strengthens the company's market dominance.
- *SVT*'s sales of smaller desalination plants, installed on seagoing vessels, has helped the company's sales revenue increase by 300% since 2015.
- *SVT* has broadened its product range by completing a takeover of *H4 PLC*, a rival engineering company (lines 49 – 50). By offering a broader range of products, *SVT* can reduce its dependence on a narrow range of products revenue streams.
- *H4 PLC*'s modernization programme and reorganization of its factories in the UK has enabled *SVT* to benefit from economies of scale (lines 56 – 57).
- The company's flagship factory in Norway uses innovative technologies to enhance the speed and quality of production (lines 71 – 72). This helps to give *SVT* competitive advantages including maintaining its monopoly position (line 7).
- The company's UK operations in *H4 PLC*'s factories run at full capacity, i.e., they operate 24 hours per day, seven days a week, with three shifts per day (lines 74 – 75).
- Labour productivity has improved over the past six years (line 75). This is good for *SVT* because it means that its employees are producing more output in the same amount of time. This has contributed to *SVT*'s lower unit costs (line 75), which in turn has increased its overall profitability (line 130).
- Labour turnover figures in *H4 PLC*'s factories have been consistently below the national average (line 76). This is good for *SVT* because it reduces the recruitment costs and disruptions associated with replacing employees who leave the company. Retaining the skills and knowledge of experienced employees can also give *SVT* competitive advantages.
- *SVT* has been able to increase its market share in the home water filter industry by using both external and internal growth strategies (lines 90 – 91). This can enhance *SVT*'s competitiveness by being a more dominant firm in the market as well as greater profitability that tends to be associated with larger market share.



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Strengths (continued)...

- *SVT* has an established and reputable commitment to helping people in less economically developed countries (LEDCs) (lines 96 – 97). This helps to improve the company’s corporate image which aligns well with its vision statement “Making the world a safer place” (line 2). It also helps to inspire the company’s workforce, especially those who opt to take a career break (lines 98 – 99).
- There may be many more opportunities for *SVT* to work with charities and non-governmental organizations (NGOs) to identify projects that would make the best use of *SVT* employees in LEDCs (lines 104 – 105). This can help *SVT* to expand its Outreach Programme to even more communities across the world.



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Weaknesses

- There is some conflict between the directors at *SVT*. In particular, Yannick has clashed with Ariadne on several occasions due to the perception the two directors have different priorities (lines 24 – 26).
- Despite the takeover of *H4 PLC* seven years ago, the mass exodus of 300 former employees, many of whom were highly experienced (lines 65 – 66), can weaken the institutional knowledge of the workforce. After all, these workers were all highly skilled and specialized employees.
- *H4 PLC*'s factories operate 24/7 (lines 74 – 75), but a weakness of operating at full capacity is the burden it places on employees and capital equipment and machinery. Operating at full capacity can put added strains on employees, leading to increased stress levels and a higher risk of burnout. It can also cause capital equipment and machinery to break down more frequently.
- *SVT*'s water filters produced by the Consumer Products Division are not suitable in locations or countries where there are problems with access to potable water. This is because the water filters do not remove bacteria or viruses in the water (lines 83 – 86). This limits the number of potential customers that would purchase these filters for home use, such as the many people living in Sudan who cannot afford to buy water purifiers that remove bacteria and viruses from dirty or contaminated water (lines 109 – 110).
- Although *SVT* has already started producing its WF15 water purifiers (line 126), the company has yet to decide on a pricing strategy (line 127). This means *SVT* does not know whether the product will earn any profit. Furthermore, as some of the directors feel this product should be subsidized (line 129), there are further cost implications for the company. Ultimately, the product is currently draining *SVT*'s cash flow.
- Similarly, the company does not have a plan for distributing the WF15 water purifiers in low-income countries (line 132).



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Opportunities

- With COVID-19 restrictions being lifted throughout Europe, ELE PLC's car rental offices located in all major airports in Belgium, France, Spain, and the UK (61 - 62) are likely to recover quickly as passenger air travel resumes.
- The market for desalination has grown rapidly (line 39). SVT's Desalination Division has 15% market share (line 38), but some forecasts suggest the global water desalination market will double in the next 10 years (lines 39 – 40).
- As SVT currently operates desalination plants in only 19 of the 120 countries that use desalination plants (lines 40 – 41), there is further scope for growth.
- There are opportunities for SVT to gain market share in the wind turbine market (line 77). SVT has only been in this industry since 2022 and the market for wind turbines is expected to grow each year (line 80). Although it has a full order booked for 2023 (lines 79 – 80), H4 PLC only produces wind turbines in its smallest factory (line 77).
- There are opportunities for SVT become the brand leader in the market for water filters for home use in Europe and the USA (lines 92 – 93), especially as a substantial five-year marketing budget has been approved (lines 93 – 94). This can also be achieved by SVT's continued strategy of growth through internal and external methods (lines 90 – 91), including acquiring smaller manufacturers in these regions (lines 91 – 92).
- Similarly, there are potentially huge opportunities for SVT to develop and sell its WF15 water purifiers. The water produced meets the World Health Organization (WHO) guidelines for potable water (lines 124 – 125), so this can be a selling point for SVT's product.
- There are opportunities for SVT to use below-the-line (BTL) promotion to market the WF15 water purifier in LEDCs. This is because recent secondary market research showed that only a minority of families in LEDCs owned a television set and newspapers and magazines were seldom purchased (lines 134 – 137). Similarly, there are opportunities to promote the water purifier on social media platforms (line 138).



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Threats

- Climate change causes shortages of potable water in some countries (lines 16 – 17). This can be due to numerous reasons, including:
 - Rising average temperatures can cause droughts, leading to a reduction in the availability of surface and groundwater.
 - As the planet warms, glaciers melt at an unparalleled rate. This reduces the ability of glaciers to provide a consistent water source.
 - As sea levels rise, saltwater can permeate freshwater aquifers, wells, and even reservoirs. This makes the water unsuitable for human consumption.
- Unexpected changes in the external environment (lines 20 – 21) can threaten the effective operations of SVT.
- It is debatable whether SVT's water purifier, the WF15, is a sustainable product. The board of directors want this product to operate using solar power, be simple to use, cheap to purchase, and last for 10 years (lines 113 – 115). The project can be extremely expensive yet there is not guarantee that there will be a positive return on investment, especially as the board is yet to decide on a suitable pricing strategy (line 127).
- Although SVT has already started to produce the WF15 water purifier (line 126), the directors are undecided about an appropriate pricing strategy (line 127). This can cause conflict within the board of directors. Furthermore, if the board opts to subsidize the production of the WF15 water purifiers, this will negatively impact the company's overall profitability (line 130). This could upset other stakeholders (lines 130 – 131), especially shareholders who have been accustomed to high dividend payouts for many years (line 89).
- SVT does not have a plan for distributing the WF15 water purifiers in less economically developed countries (line 132). The company does not have any experience in distributing consumer products in LEDCs, so may need to rely on a local partner. At best, this will add to the costs of providing this product in low-income countries. In the worst case scenario, the shortcomings of a third party can damage the corporate reputation of SVT.



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Use the *Skandvig Terra PLC* case study to complete a PEST (STEEPLE) analysis for SVT.

Political factors

Economic factors

Social factors

Technological factors



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PEST (STEEPLE) analysis for SVT PLC

PEST analysis provides a framework for decision makers to consider factors in the external business environment that affect their operations. These factors can be categorized as **political**, **economic**, **social**, and **technological** factors, which can present opportunities and threats, as outlined in the SVT case study.

When studying these PEST/STEEPLE factors, consider how the various points might affect the operations and strategic decision-making at SVT.

Note: The IB Business Management syllabus refers to STEEPL analysis (social, technological, economic, environmental, political, legal, and ethical). To simplify revision for students, in this analysis 'environmental' and 'ethical' factors are covered under the section heading of 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

Line numbers from the SVT case study are shown in brackets for ease of reference.

Political factors and considerations (including legal factors)

- As SVT has a regional monopoly in water supplies in 21 countries (lines 4 – 6), this can attract the attention of governments that may choose to investigate potentially anti-competitive behaviour or activities of the company.
- Given the importance of safe water, SVT will be aware of government regulations regarding water supplies, treatment, and distribution.
- Similarly, as a multinational company, SVT needs to be fully aware of the different labour laws that exists in different parts of the world. This will ensure it makes the best use of its human resource by protecting the rights of employees. In turn, this improves labour productivity and motivation as well as helping SVT to control its labour turnover rate.
- There is growing pressure from governments to reduce the reliance on fossil fuels (line 81). This creates potential opportunities for SVT to develop its wind turbines business. Currently, its factory only has the capacity to manufacture 10 large turbines per year and does not have the resource to take on additional orders this year (lines 79 – 81).



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Political factors and considerations (including legal factors) continued...

- There may be opportunities to work with government, such as those in LEDCs, to secure subsidies (lines 129 – 131), grants, and/or low interest rate loans, as well as other financial incentives such as tax concessions.
- Similarly, there may be opportunities for SVT to get government support for renewable energy initiatives, such as developing its wind turbines business.
- Being a large multinational company with operations in many parts of the world, SVT will need to be aware of different tax laws and trade regulations such as tariffs (import taxes) on the sale of its products such as water filters and water purifiers.
- A final political consideration is the political stability or instability in the various countries where SVT operates. For example, there may be issues related to human rights in some of the countries (lines 41 – 42) in which SVT has production plants and facilities.

Economic factors and considerations

- There are high costs of obtaining and operating water treatment plants and equipment in the 21 countries where SVT currently supplies potable water (lines 4 – 5) and the 19 countries where it operates desalination plants (lines 40 – 41).
- There are high costs of researching and developing (R&D) new technologies in all divisions of SVT. This can have negative impacts on the company's cash flow and finances.
- There is global competition in the water sector, launcher companies in the industry. This is implied by SVT's aim to become the brand leader in Europe and the US (lines 92 – 93).
- As a multinational company, SVT is potentially vulnerable to adverse changes in exchange rates. fluctuations in the value of foreign exchange can quite easily change the company's costs of production (such as the cost of raw materials) and profits.
- Increasing demand for wind turbines (lines 80 – 81) create huge potential benefits for SVT to develop this component of its operations at H4 PLC factories.
- Another potential threat or concern for SVT is low-income families in LEDCs and their spending patterns may make things challenging for the company as it seeks to sell the WF15 water purifiers in more of these countries.



For May 2023 examinations

Social factors and considerations (including environmental and ethical factors)

- The increased demand for potable water and water treatment products creates commercial opportunities for *SVT* in all aspects of its operations, especially in the Fresh Water Division and Consumer Products Division.
- Climate change is a huge threat to the industry as it causes shortages of potable water (line 16 – 18). this means that *SVT* may need to focus on alternative and renewable energy sources such as wind energy and develop its wind turbine sector (lines 77 - 78).
- Water scarcity means there may need to be a push to raise awareness and education of the importance of water conservation. This could work well as an aspect of *SVT*'s Outreach Programme (line 95).
- There may be threats by environmental pressure groups that take a position against desalination plants in their local communications, for example. Pressure groups can influence public opinion and government legislation, so can have a significant impact on *SVT*'s operations.
- With operations in different regions of the world, *SVT* will need to be aware of cultural differences between countries, such as potential differences in cultural expectations of employees. Being aware of different cultural dimensions can improve the chances of success for any multinational company like *SVT*.
- Access to media, television set ownership, and newspaper/magazine purchasing may create some marketing barriers for *SVT* in LEDCs. However, there may be opportunities for social media marketing due to the high social media usage in these countries (lines 134 – 140).



For May 2023 examinations

Technological factors and considerations

- There are opportunities for *SVT* to adopt of new technologies in water treatment and desalination processes, such as the use of automation of plant operations and robotics in water treatment processes. This can help the company to improve its operational efficiency, productivity, and profitability. However, the high costs could be a potential threat to *SVT* if insufficient funds are available for capital expenditure.
 - *SVT* has limited capacity to manufacture more than 10 large turbines per year (line 79 – 80). This is a serious limitation, given the growing size of the market. Hence, *SVT* may need to consider capital expenditure in order to increase its productive capacity.
 - The lack of availability of suitable technology in LEDCs is a potential threat to the operational efficiency of *SVT* as it seeks to expand its operations and sell the WF15 water purifiers in these countries (lines 126 – 131).
 - Opportunities to develop low-cost, easily transportable water purifiers, as well as having access to solar power and electricity in LEDCs, can create huge commercial opportunities for *SVT* to establish itself in LEDCs where access to potable water is limited (lines 112 – 113).
 - There are also significant challenges for *SVT* to distribute it water purifiers in less economic developed countries (LEDCs), especially as the company does not have any distribution channels set up for its new WF15 water purifiers (lines 132 – 133).
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IB Business Management – Paper 1 Case Study Pack
Case Study: Skandvig Terra PLC
SL Mock Exam



For May 2023 examinations

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 *Skandvig Terra PLC (SVT)* case study for this examination.
- A clean copy of the Business Management formulae sheet is required.
- Answer any **two** questions from Section A.
- Answer **the** compulsory question from Section B.
- You are permitted to use a calculator for this examination paper.
- Total marks available: 40 marks.

- 2 -

SECTION A

Answer **one** question from this section.

1. (a) Describe **one** advantage and **one** disadvantage for SVT of an autocratic leadership style (line 23). [4 marks]
- (b) Explain the importance of corporate social responsibility (CSR) for SVT (lines 95 – 105). [6 marks]
2. (a) Outline **two** benefits for organizations such as *H4 PLC* and SVT of having lower labour turnover than the national average (line 76). [4 marks]
- (b) Explain the importance of leadership to *Skandvig Terra PLC (SVT)*. [6 marks]
3. (a) Define the following terms:
- (i) *external growth strategies* (lines 31 – 32) [2 marks]
- (ii) *market share* (line 90) [2 marks]
- (b) Explain **one** strength and **two** weaknesses of SVT as a multinational company. [6 marks]

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

SECTION B

Refer to the additional materials below and answer **the compulsory** questions from this section.

4. At last month's board meeting, Jayne Dees proposed a 10-year partnership agreement with *WaterAid* to provide safe water to people in rural parts of Sudan, Tanzania, and Ethiopia. For nearly 40 years, charities and non-governmental organizations (NGOs) have been working in drought-plagued areas of less economically developed countries (LEDCs) to address the chronic shortage of clean, safe, and sustainable drinking water.

Jayne is also aware that more recently, even high-income countries have been calling for help due to the effects of climate change and global warming on water supplies. In particular, the COVID-19 pandemic has forced the world to reflect on just how important clean and safe drinking water really is for human life. Nevertheless, Jayne's strong belief is that priority must be given to rural villages in LEDCs. She has witnessed the changes that charities such as *WaterAid* brought to people in these communities (see Item 1).

Item 1 – *WaterAid*

WaterAid is a registered charity in Australia, the UK, Sweden, and the US. Founded in 1981, it works to provide clean water, decent toilets, and hygiene knowledge to people who do not yet have access to them. The organization does this by working with communities to build low-cost, sustainable solutions that meet their needs.

Despite the efforts from charities and NGOs, reaching everyone, everywhere is still a huge task that needs support. Around 771 million people do not have clean water close to home, and almost 1.7 billion people still do not have access to decent toilets. In fact, a United Nations (UN) report in 2013 showed that more people have mobile phones around the world than have access to a flush toilet. This trend has only widened since, limiting the ability of countries to meet the UN Sustainable Development Goal 6 (access to safe water, sanitation, and hygiene as the most basic human need for health and well-being).

With clean water and decent toilets, millions of young school children can concentrate on what is really important – their education and ambitions. Tsehaynesh, a teenager from Ethiopia, said "The clean water taps in the village (provided by *WaterAid*) help me be on time for school and the good hygiene keeps us healthy."

Jayne believes this is an opportunity for *SVT* to engage in **social marketing** and to engage its consumers around a cause the company really cares about, while showcasing its own social impact. However, she also raised the fact that corruption in many LEDCs is a serious threat to development work. Jayne has the full backing of Ariadne Johansen, but Yannick Pedersen and the other directors are not so sure. The board members agree about the need to minimize financial risks as *SVT* deals with the impact of an economic recession in many parts of the world.

- (a) Define the term *vision statement* (line 2). [2 marks]
- (b) With reference to *SVT*, distinguish between social marketing and commercial marketing. [4 marks]
- (c) Explain **two** organizational objectives of non-profit organizations such as *WaterAid*. [4 marks]
- (d) Using the additional information in Section B **and** information in the case study, evaluate the proposal for *SVT* to establish a partnership agreement with *WaterAid*. [10 marks]
-

IB Business Management – Paper 1 Case Study Pack
Case Study: Skandvig Terra PLC
SL Mock Exam – Mark Scheme



For May 2023 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included in Section B are provided for illustrative purposes only, in order to provide students with practice for the final examination in May 2023.

SECTION A

1. (a) Describe one advantage and one disadvantage for SVT of an autocratic leadership style (line 23). **[4 marks]**

Possible advantages could include a description of any one of the following points:

- *Quicker decision making* - An autocratic leadership style allows directors like Ariadne Johansen to make decisions quicker as she is the sole decision maker in the Engineering Division. This can be beneficial if quick decisions are needed in order to progress a project or reach a goal.
- *Increased productivity* - Autocratic leaders can inspire their team to work harder and be more productive. This is because the leader sets clear expectations and provides detailed instructions to support the team. This is one reason why the Engineering Division is an industry leader in terms of productivity per employee.
- *Increased command and control* - An autocratic leadership style can help to maintain structure and discipline within a team or division. Employees follow formal guidelines and are held accountable for that work. This can help to improve the overall efficiency of the Engineering Division.
- *Accept any other relevant advantage that is clearly outlined.*

Possible disadvantages could include a description of any one of the following points:

- *Demotivational* – Autocratic leaders typically lack the ability to motivate their staff, as they are more focused on dictating orders and enforcing strict rules than inspiring their team to perform. This often leads to a lack of enthusiasm in the workplace and low morale.
- *Reduced innovation and less creativity* – An autocratic leadership style can suppress innovation and creativity in the workplace as employees do not have any input or direct impact on decision making. Hence, they may feel that any ideas they may have will not be heard or appreciated. This can prevent the company from staying ahead of the competition.
- *Poorer communication* – Autocratic leaders tend to communicate orders in a top-down manner, rather than engage in constructive dialogue with their teams. Therefore, employees in the engineering division may feel disconnected from their leader. They are less likely to ask questions or express their opinions. This can lead to misunderstandings and a poorer environment and decision-making.
- *Accept any other relevant disadvantage that is clearly described.*

Mark as 2 + 2

Award **[1 mark]** for a valid advantage (and disadvantage) and award a further **[1 mark]** for an appropriate description written in the context of the case study.

(b) Explain the importance of corporate social responsibility (CSR) for SVT (lines 95 – 105). [6 marks]

Corporate social responsibility (CSR) is a set of internal policies and practices designed to demonstrate SVT's commitment to its internal and external stakeholders. It focuses on activities that improve the well-being of society as a whole by considering the impact of its operations on all stakeholder groups, including local communities.

Likely reasons why CSR is of importance to SVT include an explanation of the following points:

- It can help to improve SVT's corporate reputation as well as brand awareness. This is because behaving in a socially responsible way, such as helping people in low-income countries and supporting employees who join the Outreach Programme, helps to raise brand awareness and improve the profile of SVT, as well as gaining support and trust from suppliers and business partners.
- In addition, improved brand awareness and a better corporate image can help SVT to attract more customers for its range of products, not just the WF15 water filters in less economically developed countries (LEDCs). Customers and different stakeholder groups are more likely to support organizations that have a reputation of being responsible corporate citizens.
- Due to improved access to information and the power of social media (line 138), there is greater public awareness and support of CSR issues. Hence, SVT must pay attention to its CSR practices and policies to ensure it has public support. The company is profitable (line 130), with almost 200 million customers (line 31), yet there are many people like those in Sudan who do not have easy access to clean water and cannot afford water purifiers (lines 108 – 109).
- SVT's Outreach programme also has benefits for its long serving employees (those who have worked at the company for 10 consecutive years). The opportunity to have a career break and help those in need can be motivational and inspire employees to reach out for the benefit of others in society. It also helps that SVT continued to pay their salaries during the career break on the outreach programme (lines 99 – 100). This is further evidence of the company's commitment to CSR.
- Ultimately, concentrating on helping people in LEDCs (line 96 – 97) can be beneficial for SVT's bottom line (profits). This can happen despite the costs involved in the Outreach Programme.
- *Accept any other reason, explained in the context of the case study.*

Award up to [2 marks] if the answer shows minimal understanding of the demands of the question. The answer lacks detail and makes minimal use of appropriate terminology or application to SVT.

Award up to [4 marks] for an answer that demonstrates some understanding of the demands of the question, although the explanation lacks depth in parts. The response is mainly theoretical and has partial application of the SVT case study.

Award up to [6 marks] for an answer that demonstrates a good understanding of the demands of the question. The response shows a detailed explanation of the importance of CSR to SVT. There is effective use of appropriate terminology throughout the response, with good application of the SVT case study.

2. (a) **Outline two benefits for organizations such as *H4 PLC* and *SVT* of having lower labour turnover than the national average (line 76). [4 marks]**

Possible benefits for *SVT* could include:

- Having low labour turnover means that workers are generally more motivated and productive because they are accustomed to how things work at *H4 PLC* and *SVT*, such as improved labour productivity (line 75).
- Labour turnover is a sign or measure of employee loyalty, i.e., low labour turnover suggests the workers are content and highly motivated to work at *SVT*. Hence, they are likely to be more dedicated to their jobs.
- It enables Ariadne Johansen, the director of the Engineering Division (lines 21 – 22), to focus her time, resources, and energy on other operations such as managing the broader product range (line 49), thereby helping to improve overall productivity.
- Ultimately, low labour turnover saves both time and money needed for recruitment, induction, and training of new/replacement workers. This helps to reduce operational costs for *SVT*.
- *Accept any other benefit that is clearly outlined in the context of the case study.*

Mark as 2+2

For each benefit, award [1 mark] for a relevant advantage, plus a further [1 mark] for the description, up to a total maximum of [4 marks].

If there is no application to the case study, award a maximum of [2 marks].

- (b) **Explain the importance of leadership to *Skandvig Terra PLC (SVT)*. [6 marks]**

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 (“Making the world a safer place”) and sense of direction for others to follow.

Explanations of the importance of leadership to *SVT* include:

- *To inspire and influence others to achieve organizational goals* – In order to get the best out of the employees, effective leadership is needed to motivate *SVT*’s workers and earn their respect, trust, and loyalty. Conversely, weak leadership can harm productivity and jeopardize the business.
- *To create a sense of purpose and strategic direction* – Without effective leadership, *SVT* cannot achieve its organizational aims, especially when faced with challenges (such as contrasting stakeholder priorities following takeovers and acquisitions) as well as changes in the external environment.

- *To coordinate business operations* – Each division of SVT is headed by a director, who leads and coordinates strategic operations in line with the company’s vision.
- *Improved communication* – This helps SVT’s employees to be clear about the purpose of the operational and tactical decisions made at in each division, rather than workers being confused and uncertain about their roles and responsibilities.

Application to the case study is also expected. For example:

- Yannick Pedersen has a situational leadership style (lines 19 – 20). This a leadership theory that suggests there is no single ‘best’ leadership style. Instead, effective leadership varies depending on the situation at hand, the person or team involved, and the task that needs to be accomplished, such as being able to respond to changes in the external environment (lines 20 – 21).
- Conversely, Ariadne Johansen’s autocratic leadership style means that she makes all decisions within her division and tells the employees under her authority what to do. The swift and decisive decision making associated with this leadership style has contributed to SVT’s Engineering Division being one of the industry leaders (in terms of productivity per employee).
- *Accept any other relevant reason explained in the context of the case study.*

Award [1 – 2 marks] for an answer that shows little understanding of the importance of leadership in business organizations and/or an answer that has minimal, if any, reference to the stimulus material.

Award [3 – 4 marks] for a partial explanation of the importance of leadership in business organizations, with some appropriate use of business management terminology. There is some reference made to the stimulus material. Award a maximum of [3 marks] for a theoretical answer.

Award [5 – 6 marks] for a full explanation of the importance of leadership for Skandvig Terra PLC, with appropriate use of business management terminology throughout the response. Award a maximum of [5 marks] if the application is mainly descriptive. There must be clear and effective use of the stimulus material for [6 marks].

3. (a) Define the following terms:

(ii) external growth strategies (lines 31 – 32). **[2 marks]**

External growth strategies are the various ways that a business can expand by using third parties, such as through a takeover or acquisition of other companies.

Award [1 mark] for a definition that shows some understanding of external growth strategies.

Award [2 marks] for a clear and accurate definition of external growth strategies, similar to the example above.

Application and examples are not required.

(ii) market share (line 90). [2 marks]

Market share is the percentage of all sales in a particular market or industry that is held by one brand, product, or business. It is typically measured in terms the value of sales revenue generated per time period. The formula for calculating SVT's market share in the home water filter industry:

$$\frac{\text{SVT's sales revenue (\$)}}{\text{Total industry's sales revenue (\$)}} \times 100$$

Award [1 mark] for a description that shows some understanding of market share.

Award [2 marks] for a clear and accurate definition of market share, similar to the example above.

Application and examples are not required.

(b) Explain one strength and two weaknesses of SVT as a multinational company. [6 marks]

Possible strength of SVT could include:

- SVT is a large and established company, supplying potable water to millions of customers in 21 countries (lines 4 – 5). The Fresh Water Division supplies potable water to nearly 200 million people around the world (line 30 – 31). In particular, SVT has a long track record of success which gives the company credibility and can help it to attract and retain employees and customers.
- SVT dominates in the countries that it operates in as it is a regional monopoly (line 7). This means the business can charge higher prices due to the lack of substitutes available. This can help to raise SVT's profitability.
- SVT has operations in different business sectors (line 8), including desalination and household water treatment products. This provides additional revenue streams for the company as well as spreading the risks of its varied operations.
- There is quick decision making (lines 15 – 16) as each of SVT's four divisions is led by a director with decision-making authority. This enables the company to take advantage of opportunities that may arise or respond quickly to unexpected changes in the external environment (lines 20 – 21).
- The company's flagship factory in Norway uses innovative technologies to enhance the speed and quality of production (lines 71 – 72). This helps to give SVT cost advantages, improves its operational efficiency, and raises productivity. Ultimately, this results in SVT gaining competitive advantages and maintaining its monopoly position (line 7).
- *Accept any other strength of SVT, explained in the context of the case study.*

Possible weaknesses of SVT could include:

- There is some conflict between the directors at SVT. In particular, Yannick has clashed with Ariadne on several occasions due to the perception the two directors have different priorities (lines 24 – 26). Conflict in the workplace is a disadvantage as it can lead to tension and mistrust among the directors and their team of employees, negatively affecting staff morale and labour productivity at in the Fresh Water Department and the Engineering Department.
- A weakness of H4 PLC's factories operating 24/7 (lines 74 – 75) is the burden it places on employees as well as capital equipment and machinery. Operating at full capacity can put added pressures on employees, causing higher levels of anxiety and stress and therefore a higher risk of burnout. It can also cause capital equipment and machinery to break down more frequently.
- SVT's water filters produced by the Consumer Products Division are not suitable in locations or countries where there are problems with access to potable water. This is because the water filters do not remove bacteria or viruses in the water (lines 83 – 86). This limits the number of potential customers that would purchase these filters for home use, such as the many people living Sudan who cannot afford to buy water purifiers that remove bacteria and viruses from dirty or contaminated water (lines 109 – 110).
- Although SVT has already started producing its WF15 water purifiers (line 126), the company has yet to decide on a pricing strategy (line 127). This means SVT does not know whether the product will earn any profit. Furthermore, as some of the directors feel this product should be subsidized (line 129), there are further cost implications for the company. Ultimately, this means that the product is currently draining SVT's cash flow. Similarly, the company does not have a plan for distributing the WF15 water purifiers in low-income countries (line 132).
- *Accept any other weakness of SVT, explained in the context of the case study.*

Award [1 – 2 marks] if only one strength or one weakness is explained or if there is minimal, if any, application.

Award [3 – 4 marks] if one strength and one weakness is covered, although the response lacks depth. There is appropriate use of terminology for most of the response. Application might be weak in some areas.

Award [5 – 6 marks] if the explanations are in-depth, covering one strength and two weaknesses of SVT. There is effective use of terminology throughout the response, with consistent and effective application of the SVT case study.

SECTION B

4. (a) Define the term *vision statement* (line 2). **[2 marks]**

The vision statement of a business refers to a written declaration of where the organization aspires to be in the future. Therefore, it is the long term and ultimate goal of the business. The vision statement serves to give an organization a clear sense of purpose and direction.

*Students are **not** expected to word their definition **exactly** as above. Application to the SVT case study is not required nor expected for full marks.*

Award **[1 mark]** for a basic definition that shows partial knowledge of the term vision statement.

Award **[2 marks]** for a clear and accurate definition that shows understanding of the term vision statement, similar to the example above.

- (b) With reference to *SVT*, distinguish between social marketing and commercial marketing. **[4 marks]**

Commercial marketing is a type of marketing designed to generate sales, profits, and market share for a business. It is conducted through traditional marketing methods such as using above and below the line promotional methods to target potential customers. An example is *SVT*'s substantial 5-year marketing budget for the Consumer Products Division (line 94) used to further the company's market share.

Conversely, social marketing is a type of marketing designed to create positive change in society, such as *SVT* using its Outreach Programme to raise awareness of a particular cause or issue. Social marketing can, but does not usually, use ATL promotional strategies. This is due to the high costs. Instead, it typically uses less traditional marketing methods such as social media and viral marketing to spread the company's message to a large number of people quickly. The goal of social marketing is to create long-term, positive changes in society and make the world a better and safer place. An example is the work of charities and NGOs in LEDCs to provide people with clean drinking water.

*Award **[1 – 2 marks]** for an answer that shows some knowledge of social and commercial marketing at a generic, theoretical level.*

*Award **[3 – 4 marks]** for an answer that combines theory (i.e., definitions) and practice (i.e., application to the case study). Award **[4 marks]** for an answer that fully and clearly distinguishes between social and commercial marketing with reference to the *SVT* case study.*

(c) Explain two organizational objectives of non-profit organizations such as *WaterAid*.

Possible organizational objectives of non-profit organizations such as *WaterAid* could include a description of any two of the following interrelated points:

- Humanitarian reasons, such as increasing public awareness about the global water crisis and its impacts on the many people across the world who do not have access to potable water.
- To improve the social wellbeing of others in communities and countries, such as to improve access to clean water and sanitation in underserved communities. As stipulated by the United Nations back in 2004, access to safe water, sanitation and hygiene are basic human rights, which charities such as *WaterAid* continue to push for.
- To lobby governments and campaign for a particular cause, i.e., to advocate for government policies and legislation that advance water and sanitation rights for all and in line with the UN SDG 6 (access to safe water, sanitation, and hygiene as the most basic human need for health and well-being).
- Supporting research that benefits the general public, such as medical research or environmental studies linked to safe drinking water. This could also include developing and implementing education and training initiatives to increase water and sanitation access and use.
- *Accept any other relevant objective, written in the context of the case study.*

Mark as 2+2.

Award [1 mark] for a relevant organizational objective of non-profit organizations that is clearly identified and award an additional [1 mark] for a relevant explanation, up to the maximum of [4 marks].

(d) Using the additional information in Section B and information in the case study, evaluate the proposal for *SVT* to establish a partnership agreement with *WaterAid*. **[10 marks]**

Arguments in favour of Jayne Dee's proposal to partner with *WaterAid* include:

- There is an urgent need to address the global water crisis, which has been further exacerbated by the COVID-19 pandemic. Water is *SVT*'s core business, even if it is not exclusively for profit, especially as being involved with *WaterAid* aligns well with the company's vision statement of "Making the world a safer place" (line 2).
- The partnership would provide an opportunity for *SVT* to engage in social marketing and to engage its consumers around a cause the company really cares about, while also showcasing its own social impact. Arguably, *SVT* cannot make the world a safer place without further commitment to its CSR and Outreach Programme (line 95).

- WaterAid has a proven track record in providing clean water and sanitation to those in need. The organization has been working in drought-plagued areas of LEDCs for nearly 40 years. This experience and expertise could be invaluable in ensuring successful implementation of the partnership agreement. This would add real value to the employees or volunteers who are involved as well as potentially enhancing SVT's corporate image.
- Working with corporate partners, *WaterAid* is able to make a far bigger impact than it could do as a not-for-profit organization acting alone. Such altruistic actions align well with SVT's CSR practices and its vision statement. Together, the two organizations can make real change happen on a larger scale to benefit those in need in Tanzania, Ethiopia, and Sudan.

Arguments against proposal could include:

- Addressing the water crisis in LEDCs is not the core business or top priority of a for-profit company like SVT that is accountable to its shareholders. There are other commercial growth opportunities that the other directors may prefer to focus on instead. After all, the proposed partnership agreement is not directly part of SVT's growth strategy.
- There may be concerns about the timing of such agreement, especially as many economies are experiencing a recession. Hence, there is the risk that the agreement may not be successful in achieving its intended purpose, due to a lack of resources or other unforeseen obstacles in the external business environment.
- However, perhaps the most significant of these drawbacks is the problem of corruption in many of the LEDCs where *WaterAid* operates. This is a serious concern, as any money or resources allocated to the partnership agreement could very easily be misused or diverted away from its intended purpose. As such, it is important to ensure *WaterAid* and SVT are able to put measures in place to ensure that the funds are being used appropriately to support those in need. This concern must be addressed to convince SVT's shareholders of the proposed long term partnership agreement.

It may be encouraging that Jayne has the full backing of Ariadne, and that the other directors are at least open to considering the proposal. Overall, the proposal by Jayne Dees to establish a partnership agreement with *WaterAid* should be given serious consideration as it provides an invaluable opportunity to help millions of people who still lack access to clean drinking water and sanitation, while also providing SVT with an opportunity to showcase its own social impact.

However, a final decision is unlikely to be made without examining further data about the costs of the proposal (which has a 10-year tenure), given that the board of directors agree about minimizing financial risks. Furthermore, the decision is likely to also depend on the relative negotiation power of the directors.

Accept any other relevant and substantiated argument for or against the partnership agreement with WaterAid, using information in the pre-issued case study and Section B, which is written in the context of the case study.

Award **[1 – 2 marks]** for an answer that shows a limited understanding of the demands of the question. There is minimal, if any, application to SVT.

Award **[3 – 4 marks]** for a simplistic answer that shows some understanding of the demands of the question, but with partial application of the SVT case study.

Award **[5 – 6 marks]** for an answer that shows some understanding of the demands of the question, with use of the additional stimulus material in Section B. However, the discussions are not always substantiated.

Award **[7 – 8 marks]** for an answer that shows understanding of the demands of the question, with appropriate use of the pre-issued case study and additional stimulus material in Section B. There is suitable use of appropriate terminology throughout the discussion although not all arguments are substantiated. Evidence of evaluation is limited.

Award **[9 – 10 marks]** for an answer that shows good understanding of the demands of the question and makes effective use of the pre-issued case study and the additional stimulus material in Section B. The discussions are fully substantiated, using appropriate terminology throughout. There is clear evidence of critical and evaluative thinking in the response.

IB Business Management – Paper 1 Case Study Pack
Case Study: Skandvig Terra PLC
HL Mock Exam



For May 2023 examinations

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 *Skandvig Terra PLC (SVT)* case study for this examination paper.
- A clean copy of the Business Management formulae sheet is required.
- Read the case study carefully, including the additional information in Sections B and C.
- Answer any **two** questions from Section A.
- Answer **the** compulsory question from Section B.
- Answer **the** compulsory question from Section C.
- You are permitted to use a calculator for this examination paper.
- Total marks available: 60 marks.

- 2 -

SECTION A

Answer **two** questions from this section.

1. (a) Outline **one** advantage and **one** disadvantage of Ariadne Johansen's leadership style (lines 21 – 26). [4 marks]
- (b) Explain the importance of the human resource management (HRM) department (line 59) at SVT. [6 marks]
2. (a) Describe the importance of effective distribution channels for SVT to distribute consumer products in LEDCs (line 133). [4 marks]
- (b) Explain **two** possible types of economies of scale (line 57) for SVT as a large multinational company. [6 marks]
3. (a) Define the following terms:
- (i) *corporate social responsibility* (lines 95). [2 marks]
- (ii) *non-governmental organization* (line 104). [2 marks]
- (b) Explain **two** appropriate pricing strategies for SVT's WF15 water purifier (lines 126 – 131). [6 marks]

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

SECTION B

Read the additional information below and answer **the compulsory** questions from this section.

4. At a recent board meeting, Ariadne Johansen reminded the directors of SVT's longstanding vision statement and convinced them to align it with a low price for the WF15 water purifier. However, they voted against a proposal to subsidize the product, as it would preserve shareholder value and allow SVT to continue with its **growth**.

The global water purifier market has been affected by the COVID-19 pandemic, with production being suspended and causing liquidity problems for smaller manufacturers. However, the industry is expected to return to pre-pandemic levels as people resume normal life and health concerns remain. In particular, home water filtration is a growth sector in urban cities due to contamination, and consumer preferences have shifted to water purifiers which are reasonably priced.

At the meeting, Ariadne presented the following data from her own secondary market research for discussion with the other directors:

- The global water purifier market is valued at \$22.92 billion and is expected to reach \$50.66 billion by 2028.
- The Asia Pacific region dominates the industry with 36.65% market share, while Europe is expected to be the second-fastest growing region.
- The European real estate industry is booming in countries such as Germany and France, thereby leading to a shortage of potable water for the growing population in this region.
- *Eureka Forbes* and *Aquaguard* are the market leaders in the US market. *Eureka Forbes* is also popular across the Indian sub-continent. In May 2022, it launched a new marketing campaign with brand ambassador Madhuri Dixit, a leading Bollywood actress.
- Factors driving demand for domestic water purifiers include rising awareness of sanitation as well as residential construction in urban areas.
- Product development and market penetration are high in high-income countries, while LEDCs remain untouched.

The board members agree that improved water, sanitation, and hygiene is essential. They have committed to making sure SVT's services are sustainable for the long term. However, they have yet to decide how to increase their market share in Europe and the USA.

- (a) In the context of SVT, outline the meaning of *growth*. [2 marks]
- (b) With reference to SVT, distinguish between charities and non-governmental organizations (NGOs) (line 104). [4 marks]
- (c) Explain **one** advantage and **one** disadvantage if SVT adopts a low-price strategy for the WF15 water purifiers. [4 marks]
- (d) Using information from the case study and the additional information above, discuss growth strategies that could increase SVT's market share in the global water purifier market. [10 marks]

Section C

Answer **the** following question.

5. The board of directors at *SVT* is considering two strategic options to pursue its aims of growth and market share.

Option 1: Market penetration in Spain

Likely overall cost: \$20 billion

SVT could opt for market penetration in Spain to gain greater market share. Water filters and purifiers are a success in Spain, with 12 competitors in the industry. *Aguas de Barcelona (Agbar)*, *SVT*'s largest rival in Spain, has 22.5% market share and plans to expand further in the country. However, the economic conditions in Spain (see Table 2 overleaf) could cause some problems for the industry.

Option 2: Market development in Tanzania

Likely overall cost: \$8 billion

SVT could opt for market development to gain from the potentially large consumer market in Tanzania, and possibly neighbouring countries in the future. However, *SVT* is not so familiar with trading in this part of the world, so Option 2 would require *SVT* to use a local partner through a joint venture or strategic alliance. There is no dominant competitor operating in Tanzania. In December 2022, the World Bank approved \$300 million in grants and loans to Tanzania so that up to 10 million people have access to improved water supply and better sanitation facilities.

SVT's Chief Financial Officer (CFO) also shared the following financial information (see Table 1).

Table 1 – Extracts from *SVT PLC*'s financial statements:

	2022	2021
Revenue (\$bn)	149.6	114.3
Net profit before interest and tax (\$bn)	28.1	15.8
Return on capital employed (%)	18.2%	16.2%
Fixed assets (\$bn)	98.8	104.3
Current assets (\$bn)	75	60
Current liabilities (\$bn)	63.6	40
Gearing ratio (%)	18.60%	16.10%

(This question continues on the following page)

(Question 5 continued)**Table 2 – Economic and demographic data for Spain and Tanzania (Feb 2023):**

	Option 1: Spain	Option 2: Tanzania
Economic growth rate (annual)	2.7%	5.2%
Unemployment rate	12.87%	9.3%
Inflation rate	5.9%	4.9%
Population	47.4 million	61.5 million
Minimum wage (USD per month)	\$1,250.00	\$132.75
Interest rates	3%	5%
Ease of doing business rank (out of 190) [#]	30	141
Corruption ranking (out of 180) ⁺	35	94
Corporate tax rate	25%	30%

[#] The World Bank's annual ranking of countries – A lower value indicates simpler regulations for doing businesses and stronger intellectual property protection.

⁺ Transparency International's annual corruption ranking of countries – A lower value indicates less corruption and greater transparency.

Source: adapted from www.tradingeconomics.com/spain/indicators & www.tradingeconomics.com/tanzania/indicators

Using the case study, additional information on pages 3 – 5, and appropriate business management tools, recommend whether SVT should implement Option 1 or Option 2. *[20 marks]*

IB Business Management – Paper 1 Case Study Pack
Case Study: Skandvig Terra PLC
HL Mock Exam – Mark Scheme



For May 2023 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data included in Section B and Section C are provided for illustrative purposes only, in order to give students further practise for the final examination in May 2023.

SECTION A

1. (a) **Outline one advantage and one disadvantage of Ariadne Johansen's leadership style (lines 21 – 26). [4 marks]**

Ariadne Johansen is viewed by many employees at SVT to be an autocratic leader.

Advantages of this can include:

- Quick decision making because Ariadne makes all decisions within SVT's Engineering Division.
- Communication is improved as it is transferred downwards and one-way only, from the top of the hierarchy (Ariadne Johansen) to the bottom (the employees in the Engineering Division).
- As expectations and communications are clear, productivity may be high. After all, the Engineering Division is an industry leader in terms of productivity per employee (lines 23 – 24).

Advantages of an autocratic leadership style include:

- Demotivational effects because employees or not empowered to make autonomous decisions.
- Decision making only reflects the opinions (and personality) of the leader as there is very limited, if any, consultation or discussion between Ariadne and her team.
- There may be a lack of / no trust within the team as communication is top-down and one way only. Therefore, highly skilled and experienced team members of the Engineering Division may feel there is a lack of trust in them when it comes to making important decisions.
- *Accept any other relevant advantage or disadvantage, outlined in the context of the case study.*

Mark as 2 + 2.

Award [1 mark] for an appropriate advantage or disadvantage and [1 mark] for an appropriate outline, written in the context of the case study.

(b) Explain the importance of the human resource management (HRM) department (line 59) at SVT. [6 marks]

Human resource management (HRM) refers to the business function or department responsible for all aspects of personnel in an organization. Possible responses could include an explanation of any relevant function of the HR department for SVT, such as:

- *Human resource planning* – This is the management process of forecasting an organization's future demand for, and supply of, human resources in order to ensure that it has the optimal number of employees with the right skills in the right place at the right time. Given the large scale of its operations, including employees at *Geng PLC* and *H4 PLC*, this function is vital and ensuring the company operates efficiently.
- *Recruiting and retaining talented employees* – The HRM department is responsible for hiring and keeping talented employees to ensure SVT is able to reach its vision (line 2) and business objectives. This includes developing job descriptions and job postings for vacancies (line 66), interviewing potential candidates, appointing suitable people, and offering induction training (line 70).
- *Training and development* - Providing adequate and relevant training can have positive impacts on staff motivation and productivity because confident and competent employees lead to greater job satisfaction and higher levels of output. At SVT this includes training employees so that they feel sufficiently upskilled to transition to new work systems and processes, such as the innovative technologies introduced at the company to enhance the speed and quality of production (lines 71 – 72).
- *Managing change* – The HRM department is responsible for managing organizational change as well as the potential resistance to change (lines 59 – 60) that often comes with this. This includes communicating the purpose and benefits of change and developing improved communication channels. This can help to prevent conflict within the workplace, such as the mass exodus of highly experienced employees when *H4 PLC* was taken over by SVT (lines 65 – 66).
- *Accept any other relevant function that highlights the importance of the HR department, written and explained in the context of the case study.*

Award up to [2 marks] if the answer shows minimal understanding of the demands of the question. It lacks detail and makes minimal, if any, use of the case study.

Award up to [4 marks] for an answer that demonstrates some understanding of the demands of the question, although the explanation lacks some depth in areas. At the lower end of the mark band, the response is mainly theoretical and lacks clear application to the SVT case study.

Award up to [6 marks] for an answer that demonstrates good understanding of the demands of the question. There is a detailed explanation of the importance of the human resource management department and its function at SVT (lines 59 – 76 in particular). There is appropriate use of terminology throughout the answer, with effective application of the stimulus material.

2. (a) **Describe the importance of effective distribution channels for SVT to distribute consumer products in LEDCs (line 133). [4 marks]**

Distribution channels describes how the final good or service, such as the WF15 water purifier, passes from the producer to consumers in LEDCs (the end users). They enable the company to get products from the manufacturer to the end customer.

Distribution channels are even more important in less economically developed countries (LEDCs) as they often face exceptional challenges including inferior infrastructural, communication, and transportation networks (such as road and rail systems).

Effective distribution channels are necessary to ensure that SVT's products are delivered efficiently and safely in a timely manner. This can also provide SVT with a competitive advantage by giving the business a presence in LEDCs, not necessarily for profit but an improved corporate image for supporting low-income people in LEDCs.

Award [1 mark] for some understanding.

Award [2 marks] for a description, but without context.

Award [3 marks] for either a description but weak context or a weak description but effective context.

Award [4 marks] for a good a description using context from the case study effectively.

- (b) **Explain two possible types of economies of scale (line 57) for SVT as a large multinational company. [6 marks]**

Economies of scale are the cost-saving advantages that a business can enjoy by enlarging the scale of its output. Examples of possible economies of scale for SVT are likely to include:

- *Technical economies of scale* – Being a large business, SVT can afford to invest in sophisticated and innovative technologies (line 71) to increase the scale of output, thereby reducing the per unit cost of production. H4 PLC's factories also operate 24/7, using modernised operations, which again helps the company to achieve technical economies of scale.
- *Financial economies of scale* – Large businesses like SVT are usually able to borrow more money and at a lower cost (interest rate charge). This is because they are more 'credit worthy'. For example, SVT represents lower risk for a financial lender, such as a commercial bank, because it is an established multinational company with operations in 21 countries (lines 4 – 5) and is profitable (line 130) so can benefit from more favourable rates of borrowing.
- *Marketing economies of scale* – Large businesses like SVT can spread their advertising and substantial marketing budgets (lines 93 – 94) over a large volume of output as well as purchasing their stocks/inventory in bulk, at discounted prices, e.g., electric pumps, pressure gauges, hoses, and osmosis system (water filtration system).

- *Specialization and managerial economies of scale* – A large company like SVT can afford to hire highly experienced directors to lead separate divisions of the organization, as well as appointing specialist managers and skilled employees to split complex production processes into separate tasks. Specialization helps to boost productivity, i.e., the workforce is able to produce more output in the same time, thereby reducing the cost of each unit of output.
- *Accept any other relevant type of economies of scale that is clearly explained in the context of the case study.*

Application of the stimulus material in the case study is required for [4 marks] or more.

Award a maximum of [2 marks] if there is a limited understanding of the demands of the question, or if the answer is simply descriptive and theoretical.

Award a maximum of [4 marks] if there is some understanding of the demands of the question, but the answer lacks depth in the explanation of economies of scale. At the top end of the mark band, there are attempts to apply theory to the case study.

Award [6 marks] if there is a good understanding of the demands of the question, with a detailed and considered response to the question with regards to economies of scale. There is appropriate use of theory and terminology throughout the answer, which is suitably applied to the case study.

3. (a) **Define the following terms:**
- (i) **corporate social responsibility (lines 95).**

CSR is the conscience of a business, with consideration of its actions on different stakeholder groups, local communities, and the natural environment. For example, it might involve a business working with charities and non-governmental organizations to help people in low-income communities.

Award [1 mark] for a definition that shows some understanding of corporate social responsibility.

Award [2 marks] for a clear and accurate definition of corporate social responsibility, similar to the example above.

Application and examples are not required.

(ii) non-governmental organization (line 104).

An NGO is a type of non-profit social enterprise that operates in the private sector of the economy but does not aim to make a profit. NGOs are formed and operate to benefit others in society, such as to help meet the needs of the poorest members of society or protect the environment.

Students are **not** expected to word their definition **exactly** as above. Application to the SVT case study is not required nor expected for full marks.

Award **[1 mark]** for a definition that shows some understanding of NGOs.

Award **[2 marks]** for a definition that shows a clear understanding of NGOs, similar to the example above.

(b) Explain two appropriate pricing strategies for SVT's WF15 water purifier (lines 126 – 131). [6 marks]

- *Cost-plus (mark-up)* – This pricing strategy adds a fixed amount (mark-up) to the actual cost of producing the water purifier. Hence, SVT would first determine the cost of the purifiers and then add a fixed mark-up to the cost of the purifiers in order to determine the selling price. This price would then be applied when selling the purifiers in less economically developed countries (LEDCs). By setting the price in this way, SVT can ensure that it is earning a profit while still offering a competitive price to their customers. This would address the issue of two of the SVT directors who are against subsidizing the WF15 water purifiers and making other stakeholders in the business unhappy (lines 129 – 131), such as shareholders who may receive lower dividends.
- *Loss leader pricing* – This could be an effective way for SVT to increase sales of the WF15 water purifiers, particularly in low-income countries. This pricing strategy involves selling the product at a very low price, even at a loss, in order to attract customers and increase sales of other products. In the case of selling water purifiers in low-income countries, SVT could absorb all of this as a loss as part of its corporate social responsibility programme by offering a basic, low-cost water purifier at a significantly reduced price. Although the business would make a loss on the sale of the WF15 water purifier, it is what several directors want, i.e., the product to be a not-for-profit operation (lines 127 – 128).
- *Price discrimination* – This pricing strategy would involve setting different prices for different customers based on their ability to pay. For example, the WF15 water purifiers could be sold at a lower price in low-income countries, while the same product could be sold at a higher price in more affluent countries where the average citizen has a higher ability to pay. This way, SVT can still gain a profit despite the lower contribution from customers in LEDCs. This would make the product more affordable to those in need while still ensuring that the company earns a profit by being able to charge higher prices to customers in high income countries.

- *Most penetration pricing, psychological pricing, or price leadership maybe suitable, these pricing strategies (if used) need to be fully explained in the context of the case study. For example, with price leadership, SVT could set a low price for the WF15 water purifiers and other firms in the market would follow that price. This would make water purifiers much more accessible and affordable to people in low-income countries, making them more likely to purchase the product. Furthermore, SVT could use price leadership to differentiate its product from competitors and to give it a competitive edge.*
- *Do not accept skimming price or predatory pricing as these are inappropriate pricing strategies in this context.*

Award up to [2 marks] if the answer shows minimal understanding of the demands of the question. The answer lacks detail and makes minimal use of appropriate terminology or application to SVT.

Award up to [4 marks] for an answer that demonstrates some understanding of the demands of the question, although the explanation lacks depth in parts. The response is mainly theoretical and has partial application of the SVT case study. Award up to [3 marks] for an answer that explains only one appropriate pricing strategy.

Award up to [6 marks] for an answer that demonstrates a good understanding of the demands of the question. The response shows a detailed explanation of any two appropriate pricing strategies for SVT's WF15 water purifiers. There is effective use of appropriate terminology throughout the response, with good application of the SVT case study.

SECTION B

4. (a) **In the context of SVT, outline the meaning of growth.** **[2 marks]**

Growth is the expansion of SVT as an organization due to an increase in the size of its operations, such as the recent acquisition of *Geng PLC* (line 32) and expansion into new markets by launching new products, such as low-cost, easily transportable water purifiers (line 112). Growth can be measured in numerous ways, such as an increase in SVT's profits (line 88), market share (line 90), or the number of employees (line 103).

Award [1 mark] for a response that shows some understanding of the demands of the question.

Award [2 marks] for an outline that shows a good understanding of the demands of the question, similar to the example above.

- (b) **With reference to SVT, distinguish between charities and non-governmental organizations (NGOs) (line 104). [4 marks]**

A charity is a non-profit organization set up to provide help and raise money or aid for those in need. Charities typically rely on donations to fund their operations. Charities are typically focused on providing direct assistance to people in need, such as *WaterAid* supporting rural communities in 34 countries around the world. A charity might use a variety of below the line social marketing techniques to reach its goal, such as creating fundraising campaigns as well as educational materials to educate people about the importance of clean water.

An NGO is a type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. NGOs are established to benefit others in society but tend to focus on advocacy, research, or social services. NGOs are typically be funded by governments, corporations, as well as individuals. NGOs have a broader focus and tend to rely on government policy changes or educational reform to achieve their goals, rather than getting directly involved. They are more likely to be able to use above the line marketing strategies to promote and raise awareness of their social cause.

Award [1 – 2 marks] for an answer that shows some knowledge of charities and non-governmental organizations at a generic, theoretical level.

Award [3 marks] for an answer that combines theory (i.e., definitions) and practice (i.e., application to the case study).

Award [4 marks] for an answer that fully and clearly distinguishes between charities and NGOs with reference to the SVT case study.

- (c) **Explain one advantage and one disadvantage if SVT adopts a low-price strategy for the WF15 water purifiers. [4 marks]**

Possible advantages could include:

- As pointed out by Jayne Dees, a low-price strategy aligns well with SVT's long standing vision statement (which has remained the same since its founding). Doing so will make these water purifiers more accessible to the many low-income individuals and households in LEDCs.
- A low price can give SVT a major competitive advantage over its local and global rivals, even if the WF15 is a not-for-profit operation (lines 127 – 128).
- A low-price strategy does not necessarily mean SVT has negative contribution on the sale of the water purifier but could mean instead that its profit margins are lower. This should not be an issue for SVT as the product is part of the company's overall CSR programme.
- Given that the board has not approved subsidizing the production of the WF15 water purifier, this can force SVT's Engineering Division to focus on cutting production costs (to maintain profit margins and/or to enable a low-price strategy), thereby raising productivity and/or improving its efficiency.

Possible disadvantages could include:

- Whilst low prices might benefit low-income consumers in LEDCs, it also means lower (or even negative) profit margins for SVT and its shareholders. Therefore, this might not be a sustainable operation.
- As the company has already started production (in 2022), it has already incurred production costs. Selling the inventory at a low price is likely to require SVT to sell many more units of the WF15 in order to reach break-even, especially as the board has voted against subsidizing this product.
- Due to the perception associated with low prices, SVT may deter some customers who are more concerned about the quality of healthcare products and devices. This can have a negative impact on the demand for the WF15, even in low-income economies and despite the product meeting quality standards set by the WHO (lines 124 – 125).
- Customers may come to expect low prices for SVT's water purifiers, making it more difficult for the company to raise prices at a later date if production costs increase.

Accept any other relevant advantage / disadvantage, written in the context of the case study.

Mark as 2+2.

Award [1 mark] for a relevant advantage / disadvantage identified and award an additional [1 mark] for a relevant explanation of that advantage / disadvantage in the context of SVT.

- (d) **Using information from the case study and the additional information above, discuss growth strategies that could increase SVT's market share in the global water purifier market. [10 marks]**

Possible growth strategies could include aspects of the following:

- *Focus on European markets* – There are opportunities for SVT to take advantage of the current boom in the European real estate industry where the demand for portable filtration systems is increasing and people are increasingly looking for long-term solutions such as water purifiers. This is a relatively low-risk market penetration growth strategy for SVT as it already has operations in Germany (line 48), for example. Furthermore, SVT could consider offering discounts and promotions in European and US markets to gain market share, although this could be costly and some of the directors have formerly been against subsidising the production and price of the WF15 water purifiers.
- *Focus on Asia Pacific markets* – Whilst SVT aims to become the brand leader in the consumer products market in Europe and the USA (lines 92 – 93), it may want to consider establishing a greater market presence in Asia Pacific, which is the largest market for water purifiers (with over 36% market share). This could be driven by the increased demand from the growing urban populations and rising per capita expenditure in countries like China, India, Japan, and Australia – countries where SVT operates desalination plants (lines 40 – 42).
- *Focus on LEDCs* – SVT's board of directors has agreed to a low price strategy for the WF15 water purifiers that will be sold in LEDCs, as this aligns well with its vision statement. A low price strategy for a mass produced product sold in markets with a large customer base could be potentially highly profitable for SVT, especially in countries where consumers are sensitive to prices. The low price strategy could also give SVT a competitive edge over its competitors in these markets. Importantly, this growth strategy works well with SVT's vision statement (which should be at the heart of any corporate strategy). This growth strategy would include SVT tapping into the growing levels of social media usage in LEDCs (line 138) and using this as a platform to promote the water purifiers. However, to succeed, SVT needs to also explore suitable distribution channels for the WF15 water purifier (lines 132 – 133). One option could be to consider partnering with local businesses in LEDCs to help distribute the WF15 water purifiers.
- *Product development, innovation, and R&D* – SVT's product development strategy with the WF15 water purifier is anticipated to gain increasing traction in LEDCs, including Sudan and Tanzania due to the increasing number competitors in the market. SVT's investment in R&D and mass production of the WF15 could also support the company's growth in order to gain further market share. This is important as market leaders such as *Eureka Forbes* and *Aquaguard* will have invested in innovative technologies to bring more advanced products to the market. Hence, investments in R&D can enable SVT to compete for market share more effectively by increasing the efficiency of its operations and the quality of its product offerings.

- *M&As and takeovers* – Despite the turmoil caused by the global COVID-19 pandemic, there may be further opportunities for SVT to take over or acquire smaller competitors, especially those facing liquidity problems. Continuing with its strategy of mergers and acquisitions (M&As) and takeovers will clearly help to improve the company’s market share, so long as SVT has the necessary funds to finance external growth.
- *Improved marketing strategies* – An example is for SVT to use its own brand ambassadors in specific markets targeted for growth in the same way that *Eureka Forbes* uses Madhuri Dixit to promote its products. Using the power and influence of celebrities to reach out to a wider audience and create awareness about the importance of improved water, sanitation, and hygiene. It also provides opportunities to promote SVT’s water purifiers.
- *Accept any other appropriate growth strategy written in the context of the case study.*

In conclusion, SVT could focus on numerous methods of internal and/or external growth to increase its market share in the global water purifier market, such as product development and innovation, pricing, distribution, M&As and takeovers, and improved marketing. By doing so, SVT can ensure that its goods and services are sustainable for the long-term, thereby “making the world a safer place”. Nevertheless, this the strategy or strategies chosen may depend on the preferences of the board of directors (as individuals or as a group), their relative degree of negotiation power, shareholder interests, and the financial resources of SVT.

Award [1 – 2 marks] for an answer that shows a limited understanding of the demands of the question. There is minimal, if any, application to SVT.

Award [3 – 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but with partial application of the SVT case study.

Award [5 – 6 marks] for an answer that shows some understanding of the demands of the question, with use of the additional stimulus material in Section B. However, the discussions are not always substantiated.

Award [7 – 8 marks] for an answer that shows understanding of the demands of the question, with appropriate use of the pre-issued case study and additional stimulus material in Section B. There is suitable use of appropriate terminology throughout the discussion although not all arguments are substantiated. Evidence of evaluation is limited.

Award [9 – 10 marks] for an answer that shows good understanding of the demands of the question and makes effective use of the pre-issued case study and the additional stimulus material in Section B. The discussions are fully substantiated, using appropriate terminology throughout. There is clear evidence of critical and evaluative thinking in the response.

5. Using the case study, additional information on pages 3 – 5, and appropriate business management tools, recommend whether *SVT* should implement Option 1 or Option 2. [20 marks]

The table below has been included for illustrative purposes only:

	2022	2021	%Δ
Revenue (\$bn)	149.6	114.3	30.88%
Net profit before interest and tax (\$bn)	28.1	15.8	77.85%
NPM (%)	18.78%	13.82%	
Total costs as % sales	81.22%	86.18%	
ROCE (%)	18.2%	16.2%	
Fixed assets (\$bn)	98.8	104.3	-5.27%
Current assets (\$bn)	75	60	25.00%
Current liabilities (\$bn)	63.6	40	59.00%
Current ratio	1.18	1.50	-21.38%
Gearing ratio (%)	18.60%	16.10%	15.53%

Arguments in favour of **Option 1** (market penetration in Spain) might include:

- Market penetration in Spain (Option 1) is a lower risk growth strategy than market development (Option 2), especially as *SVT* already has operations there (line 42). By contrast, the company is not familiar with commercial operations in East Africa.
- Some of the economic indicators in Tanzania may be of concern (Table 2). For example:
 - Interest rates are higher in Tanzania, so if *SVT* needs external finance to fund its market development strategy, then this could add to the overall investment costs (Table 1 shows that *SVT*'s gearing ratio has increased).
 - The relatively higher corporate tax rate in Tanzania also means *SVT*'s profits after interest and tax will be lower than otherwise. This is considerable given the relatively low net profit margin (NPM) ratio of 18.78% in 2022, despite the company's \$149.6bn in sales revenue.
- Despite the higher costs of Option 1, *SVT* is a well-established multinational company so may be able to secure external sources of finance to fund its market penetration growth strategy in Spain; besides, it can also rely on using some of its net profit before interest and tax (\$28.1 billion in 2022 – although deductions for interest and tax, plus dividend payments to shareholders, will certainly reduce the amount retained for internal use).
- The use of a local partner through setting up a joint venture or strategic alliance will undoubtedly form part of the extra costs of setting up in Tanzania but may also present possible cultural problems and communication issues. Such problems would not exist with a market penetration growth strategy in Spain (Option 1).

- Table 2 shows it is significantly easier to do business in Spain (ranked 30th best country to do business by the World Bank Group) compared with operating in Tanzania (which is ranked 141 out of 190 countries). This helps to reduce risks in a market where *SVT* is already well established so could improve its chances of success. By contrast, the challenges of establishing a presence in Tanzania is only likely to succeed if *SVT* is able to find a suitable local partner.

Arguments in favour of **Option 2** (market development in Tanzania) might include:

- Option 2 is significantly cheaper (market penetration in Spain would cost *SVT* 2.5 times more). This means Option 2 is potentially a lower risk strategy for the company.
- The Tanzanian economy is expected to grow at almost twice the rate as the Spanish economy (Table 2), so Option 2 could be desirable if consumers in Tanzania are willing and able to spend on household water purifiers produced and sold by *SVT*. This may be particularly appealing to consumers as the WF15 was created by a student from Tanzania (lines 120 – 121).
- Some of the economic indicators in Spain are weak (Table 2). For example:
 - Spain has a much higher unemployment rate and lower economic growth forecast, for example, potentially negatively affecting consumer spending.
 - The relatively higher inflation rate can also cause some issues, such as higher production costs for *SVT*, especially as Spain's minimum wage is significantly higher than in Tanzania.
- There is intense competition in Spain, with large and well-established rivals such as *Agbar*, with its 22.5% market share and many other established competitors operating in the country. This will make it more challenging for *SVT* to penetrate the market and build market share. This makes the \$20 billion investment in Spain an even riskier decision, especially as *SVT*'s gearing ratio has increased (Table 1).
- *SVT* can take advantage of the potentially large consumer base in Tanzania, and there is further scope for growth in the future if the growth strategy succeeds. There is a largely untapped market of 61.5 million people in Tanzania, where almost every single person in Spain will already have access to potable and safe water.
- Tanzania has a significantly lower minimum wage, which aligns well with *SVT*'s objective of having a low-cost, low-price water purifier for use in countries where access to potable water is limited (lines 112 – 113); Spain's minimum wage is over 840% higher than the minimum wage in Tanzania.
- Expanding in Tanzania may help to create much-needed investment in Tanzania, an LEDC in East Africa. This can support the help the economy and perhaps improve public perceptions about *SVT*'s corporate social responsibilities (lines 95 – 115), especially if the WF15 water purifiers are sold at a low price in the country (lines 112 – 113).
- Similarly, this growth option aligns well with *SVT*'s vision statement (line 2) and its CSR policy. This would also support the work of the World Bank to improve water supply and better sanitation facilities in Tanzania. This can help to improve *SVT*'s reputation and brand image, thereby creating commercial benefits in the long term.

- Lowering costs can be important for SVT. For example:
 - A lower minimum wage in Tanzania helps to minimize costs for SVT and allows the company to sell its WF15 at a much lower price.
 - This could also help SVT to improve its return on capital employed (ROCE). At 18.2% in 2022, this could suggest SVT is not generating an adequate return on its capital investments or the company is taking full advantage of market opportunities, even though the ratio is higher than in 2021.
 - The ROCE ratio could also suggest inefficient use of resources, as SVT's total costs expressed as a percentage of its total revenue is just above 81% in 2022. This will clearly have a negative impact on the company's net profit before interest and tax.
 - The company's current ratio has dropped from 1.5 in 2021 to just 1.18 in 2022. Whilst this still means SVT is liquid (and therefore able to pay current liabilities using its current assets), the fall could signify poor cash flow management. Hence, any growth strategy needs to be considered even more carefully especially as borrowing has already increased (indicated by the increase in the company's gearing ratio).
- There is literally no direct competition in Tanzania, so SVT could gain a first mover advantage by establishing itself in the country. Conversely, the company faces 11 competitors in Spain. With *Agbar*, the market leader, making plans to expand further in the country, this could present further challenges for SVT.

The final decision will depend on a number of quantitative and qualitative factors, such as:

- SVT's appetite for risk, i.e., its attitude or culture with respect to risk taking.
- The available funds/budget allocated to SVT to implement one of these two growth options.
- The financial health of the company based on its financial position. For example:
 - Although the gearing ratio is still relatively low, it has increased by significant percentage. This can be risky during the current economic climate when interest rates are on an upward trend.
 - SVT's capital base has diminished as shown by the significant fall in the value of its fixed assets. This could be due to poor investment decisions and/or depreciation caused by physical deterioration or outdated technologies. In any case, this results in a fall in the company's overall value.
- Stakeholder interests, including customers, employees (who may be relocated or redeployed, for example), shareholders, as well as governments and local communities in Spain and Tanzania. This will include the views of STV's director of the Consumer Products Division, responsible for the water filters. The board needs to ensure that the optimal strategic decision benefits all stakeholders and does not directly harm any particular group.

- The decision and outcome will also depend on the accuracy of the forecasted figures presented in Table 2.
- *Accept any other relevant substantiation.*

In conclusion, SVT need to consider a range of quantitative (financial) and qualitative (non-financial) factors when making strategic decisions such as market penetration or market development. By examining these factors, the board of directors can make informed decisions that best align with the company's goals and core values, thereby leading to long-term success.

Note – a recommendation that a decision cannot be made due to lack of information (e.g., incomplete final accounts or the lack of an investment appraisal) can be regarded as a decision provided the arguments are well supported.

Awarding the 20 marks (refer to pages 65 – 68 of the IB DP Business Management Guide)

There are 5 assessment criteria (KARSI), each worth up to 4 marks, for Section C:

- Criterion A: **K**nowledge and understanding of tools, techniques and theories
- Criterion B: **A**pplication
- Criterion C: **R**easoned arguments
- Criterion D: **S**tructure
- Criterion E: **I**ndividual 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 or theories as stated and/or implied by the question.

To score full marks, the candidate must demonstrate good knowledge and understanding of relevant tools, techniques, or theories is demonstrated throughout the extended response.

Criterion B: Application

This criterion addresses the extent to which the candidate can apply the relevant business management tools, techniques, and theories to the case study organization (*Skandvig Terra PLC*).

To score full marks, the candidate must demonstrate that the relevant business management tools, techniques, and theories are well applied to explain the situation and issues of the case study organization. Relevant examples must also be shown to support the application.

Criterion C: Reasoned arguments

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

To score full marks, the candidate must demonstrate relevant and balanced arguments are made. Furthermore, these must be well justified, i.e., reasoning is provided throughout the extended response.

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 extended writing comprised of:

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

To score full marks, the candidate must demonstrate All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individual and societies

This final criterion assesses the extent to which the candidate can provide balanced consideration to the perspectives of a range of relevant stakeholders, including individuals (such as the directors of *SVT*) and groups (such as customers), internal and external to the organization.

To score full marks, appropriate and balanced consideration is given to relevant individual **and** group perspectives.
