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**BUSINESS AND MANAGEMENT
HIGHER LEVEL
PAPER 1**

Wednesday 19 November 2014 (afternoon)

2 hours 15 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- A clean copy of the ***Business and Management case study*** is required for this examination paper.
- Read the case study carefully.
- Section A: answer two questions.
- Section B: answer the compulsory question.
- Section C: answer the compulsory question.
- A calculator is required for this examination paper.
- Clean copies of the ***Business and Management formulae sheet and discount tables*** are required for this examination paper.
- The maximum mark for this examination paper is [80 marks].

SECTION A

Answer **two** questions from this section.

1. (a) Describe **two** methods of recruitment that *GP* may have used to recruit a new manager for *The Imperial*. [4 marks]
- (b) Construct an organization chart showing the levels of hierarchy at *The Imperial*. [4 marks]
- (c) Analyse the advantages **and** disadvantages for *GP* of using a SWOT analysis. [7 marks]

2. (a) Martin constructed a position map (*line 60*). With reference to *The Imperial*, describe what this position map may look like. [4 marks]
- (b) Using Maslow’s motivation theory, explain **two** reasons why Martin had applied for the job of manager at *The Imperial*. [4 marks]
- (c) With reference to *The Imperial* and to **one other** business that you have studied, analyse the importance of leadership styles in an organization. [7 marks]

3. (a) Describe the importance of monitoring the cash flow at *The Imperial*. [4 marks]
- (b) With reference to Craig Chapman’s orphanage and to **one other** non-profit organization that you have studied, explain **two** objectives of non-profit organizations. [4 marks]
- (c) Examine how changes in the external environment may impact upon *The Imperial’s* operations. [7 marks]

SECTION B

Answer *the compulsory* question from this section.

4. (a) “They [the employees] decided to go on strike...” (*line 114*). Describe **two** methods, **other than** a strike or negotiations, that the employees at *The Imperial* could use in order to achieve their objectives. [4 marks]
- (b) “Once a year, the manager and a representative from *GP* would meet to calculate the break-even quantity...” (*lines 23–24*). Explain **two** limitations of using a break-even analysis for *GP* and *The Imperial*. [4 marks]
- (c) Explain why *The Imperial* should develop and implement new strategies designed to change customer perceptions. [4 marks]
- (d) Evaluate **two** alternative methods of non-financial rewards, **other than** empowerment, that Martin could use at *The Imperial*. [8 marks]

Additional information

There is no additional information in this paper for Sections A and B.

SECTION C

Answer **the compulsory** question from this section.

5. Martin Kimathi received shocking news: *GP* had sold *The Imperial* to the *National Wealth Fund (NWF)* of Kumali, a small Arabian country.

NWF representatives told Martin that as long as he agreed to assist them in bringing about the changes that were best for *NWF*, he could keep his job for at least three years.

NWF is considering the following two strategies:

Modified Option 1: extensively upgrade *The Imperial* in order to make it one of the most luxurious hotels in Africa. Although this strategy is similar to Option 1, the renovation of the hotel would be to a much higher standard. Martin read a consultant’s engineering report (*Item 1*) indicating that *The Imperial* would be closed for 18 months for the renovation.

To implement **modified** Option 1, *NWF* representatives would need Martin to do the following:

- promote Susan Chapman to Assistant Manager.
- dismiss all other employees within 60 days.
- develop a workforce plan according to *NWF Human Resources Guidelines (Item 2)*.

Modified Option 2: half the hotel would be converted to apartments for sale, all the spare land converted to a golf course, and the other half of the hotel kept open as a hotel which would be gradually renovated over 9 months. Martin and Susan would keep their current jobs. Around half of the remaining employees would be made redundant. The other half could keep their jobs during the renovations, but their positions would be reviewed after 6 months according to *NWF Human Resources Guidelines (Item 2)*.

(This question continues on the following page)

(Question 5 continued)

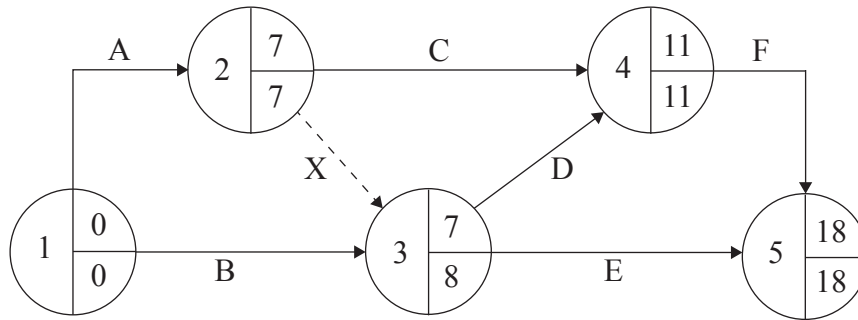
- (a) Copy the network diagram from Item 1 and identify the critical path. *[2 marks]*
- (b) With reference to Item 1:
- (i) explain the purpose of the dummy activity X. *[2 marks]*
- (ii) calculate the free float **and** the total float for activity B. *[2 marks]*
- (c) Using information from Item 3, calculate:
- (i) the average rate of return for the six-year forecast for **modified** Option 1 (*show all your working*). *[2 marks]*
- (ii) the payback period for **modified** Option 2. *[1 mark]*
- (d) Analyse *NWF's* human resource plan for *The Imperial*. *[9 marks]*
- (e) Using information contained in the case study and Items 1 to 5, recommend to *NWF* which **modified** Option 1 **or** 2 should they implement. *[12 marks]*

(Additional information is on the following pages)

Additional Information

Item 1: Engineering report for *modified* Option 1

Our calculations suggest that the minimum possible time required to complete the renovations is 18 months, as shown in the critical path analysis below:



We also recommend that, because of the noise and disruption that will occur during the renovations, the hotel should close throughout that period. This will help the contractors meet the deadlines.

Key to activities on critical path analysis above:

Activity	Order/Dependency	Duration
A		7 months
B	Can be done same time as A	4 months
C	Must follow A	4 months
D	Must follow A and B	3 months
E	Must follow A and B	5 months
F	Must follow C and D	7 months
End project	E and F completed	

Item 2: Excerpt from the *NWF Human Resources Guidelines*

All businesses owned by the *NWF* of Kumali, such as *Air Kumali*, share the vision of human resources that *NWF* employees:

- are recruited from all over the world in order to create an international image and global face.
- are trained to be culturally sensitive and internationally minded.
- deliver the highest quality standard of service in whichever area of *NWF* they work in.
- are trained continuously to prepare for possible internal promotion.

Item 3: Financial information for *modified* Options 1 and 2

Cost of **modified** Option 1: \$51 million.

Payback period: 4.5 years.

NWF forecast the following net cash flows for the hotel:

	Closed for renovations		Open for business			
Year	1	2*	3	4	5	6
Net cash flows (\$m)	0	3	12	21	30	36

Cost of **modified** Option 2: \$26 million.

Average rate of return: 10.3%.

NWF forecast the following net cash flows for the hotel:

	Hotel open throughout					
Year	1	2	3	4	5	6
Net cash flows (\$m)	8	4	6	8	8	8

Item 4: Kenya tourism facts

- There are now over 1 million foreign tourists a year, recent growth was 15 % per annum.
- There is an 18 % growth in hotel revenues.
- Kenya won a prestigious “Best Undiscovered Golf Destination” award with excellent all year round weather, good golf courses and opportunities to combine a golfing holiday with safaris, white sandy beaches and good food.

Adapted from www.kenya-golf-safaris.com and www.tourism.go.ke

Item 5: Extract from a newspaper report on the Kenyan housing market

- Apartment prices are increasing rapidly due largely to multinational corporations and international non-governmental organizations (NGOs) opening offices in Kenya.
- There are growing numbers of middle income Kenyans seeking quality property.
- However, recovering property markets elsewhere in the world could attract investment money away from Kenyan property.
- Likely rises in interest rates may make property less affordable.

Adapted from mobile.nation.co.ke

* the hotel will open for only 6 months in year 2