

**Business management**  
**Higher level**  
**Paper 1**

Thursday 19 May 2016 (afternoon)

2 hours 15 minutes

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**Instructions to candidates**

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer two questions.
- Section B: answer question 4.
- Section C: answer question 5.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[60 marks]**.

## Section A

Answer **two** questions from this section.

1. (a) Describe **one** benefit for Henri Trouvé's father of his unique selling point (USP) (lines 5–7). [2]
- (b) Describe **one** feature of *TM*'s marketing strategy. [2]
- (c) Explain the advantages for *TM* of internal growth rather than external growth. [6]
  
2. (a) State **two** benefits for *TM* of having aims (line 18). [2]
- (b) State **two** reasons why *TM* should consider using e-commerce (line 84). [2]
- (c) Explain the interests of **one** of *TM*'s internal stakeholders. [6]
  
3. (a) Describe **one** benefit for *TM* of low labour turnover (lines 38–39). [2]
- (b) Describe **one** benefit for *TM* of improving its corporate social responsibility (CSR) (line 46). [2]
- (c) Explain the appropriateness of Henri Trouvé's paternalistic leadership style at *TM*. [6]

### Section B

Answer the following question.

4. The case study for Henri's MBA contains additional information on *TM*:
- *TM*'s competitive advantage is achieved through its innovative computerized *kanban* system. This enables *TM* to achieve many efficiencies. *TM* aims to operate on a just-in-time (JIT) basis.
  - *TM* uses many suppliers. *TM* has taken advantage of China's move towards a market economy and now many of *TM*'s suppliers are located in China. This helps *TM* to maintain competitive advantage through lower prices, but makes it more difficult to achieve effective quality control. It also outsources production to other low-cost countries. This helps *TM* to establish new markets and identify new products to develop.

Henri studies the *TM* case study further. He is outraged by what he reads:

- *TM*'s Chief Executive Officer (CEO) earns 250 times more, per year, than a salesperson.
- Financial rewards for senior management are very high: in addition to shares, they are given profit-related pay, performance-related pay (PRP) and fringe payments (perks).
- Despite being one of the most profitable businesses in the world, most employees at *TM* have not had a pay rise for three years despite increasing sales.
- Shareholders made significant returns on investments.

- (a) Define the term *quality control*. [2]
- (b) Explain **two** reasons why just-in-time (JIT) lean production might be useful to *TM*. [4]
- (c) Explain **two** factors that demotivate employees at *TM*. [4]
- (d) At the next evening class, Henri and his class talk about the financial information that the tutor has provided (line 86). The students create the following tables:

	2015	2014
Gross profit margin (%)	19.1	24.7
Net profit margin (%)	0.9	5.6

	As at December 2015	As at December 2014
Inventory/stock turnover (number of times per year)	14.8	13.5
Debtor days ratio (number of days)	24.6	21.2
Creditor days ratio (number of days)	61.5	41.7
Current ratio	1	2
Acid-test/quick ratio	0.60	1.35
Gearing ratio (%)	28	26

Using the tables above and any other information, discuss **two** possible strategies that *TM* could use to improve its financial ratios. [10]

Turn over

## Section C

Answer the following question.

5. All employees at *TM* receive a letter from the head office of *TM*. The letter states that:
- working hours will be increased
  - due to increased employee theft, all employees will be searched each day before leaving work
  - new working procedures for customer service will be implemented that will reinforce the lack of employee empowerment and further limit their authority to make their own decisions
  - *TM* want to restrict the powers of the union but also set up alternative ways for employee representation.

In return, employees will be offered annual bonuses in the form of employees' shares and wages will increase. There will be greater employment opportunities and better job security.

Henri attends a meeting called by the union at *TM*. The union members are hostile to the changes and strike action is proposed. Henri thinks he could use this situation for his next piece of MBA work, which is based on conflict resolution.

Using the case study and the additional information above, recommend possible approaches that *TM's* management could take to prevent the potential conflict from negatively affecting *TM* in France.

[20]