



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Business
Standard Level

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01

5169/01

Core Module

October 2007

2 hours plus 15 minutes reading time

Additional Materials: Answer Booklet/Paper



READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Attempt **all** tasks.

Start each task on a new piece of paper.

Please leave a margin on the right and left hand side of each new page.

At the end of the examination, fasten all your work securely together, in the correct order.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **4** printed pages.



You must read the case study and attempt ALL the tasks that follow.

(The following case study is fictitious.)

THE ORIENTAL HEALTH EXPERIENCE (OHE)

The Oriental Health Experience owns a number of health centres in the UK which offer Chinese herbal medicines and treatments such as reflexology, acupuncture and massage. The business opened only three years ago with just one health centre and now it has twelve. The business is profitable and growing fast as more people seek traditional Chinese remedies in preference to some modern practices. 5

OHE is a limited partnership. It was set up by Dr Chang who was joined by three other doctors (Yau, Lam and Lee) as limited partners. The initial finance for the business was subscribed by the partners but additional funding was loaned by the major supplier of remedies, the All China Herb Company. Dr Chang plans further expansion of the business and has to think how she will raise the capital to fund it. The partners are medical practitioners with very little business knowledge so they must rely on an accountant who understands business and financial terms. 10

Dr Chang is the boss and has not given much thought to the structure of the business. The centres operate according to the policy laid down by the partners. Dr Chang is not willing to allow the centres any independence as she says her reputation may be damaged. In her view, the business will only prosper if it is centralised. There is no organisation chart and Dr Chang sees no reason to have one. The partners know they are stakeholders because they have a direct interest in OHE but don't understand why their patients and the All China Herb Company should also be regarded as stakeholders. 15

Each health centre is managed by a doctor and staffed by qualified professional and general assistants. There are different types of employment within OHE. Some staff are permanent, either full or part-time, whilst others are self-employed. Several of the professional staff prefer self-employment and they pay OHE a percentage of their fees plus rent for the use of a treatment room. Dr Chang hires 'only the best' and she has very specific expectations of all her staff. 20

Every business is affected or influenced in some way by PEST or external factors. The services offered by OHE have to be paid for and most of the patients have good incomes and are financially secure. However, the government can bring in changes to taxation and benefits and so affect the distribution of income. Chinese medicine is often a target for western public opinion which is concerned about the content of traditional remedies. Dr Chang always points out that her medicines are entirely herb-based. Each health centre needs toilet facilities, consulting and treatment cubicles, reception and waiting areas, car parking, and must be quiet, comfortable and accessible to disabled patients. Dr Chang knows that a good location brings more business and offers patients a reassuring image of OHE. 25 30

Dr Chang encourages patient feedback. Not every patient will necessarily benefit from treatment. It is important that the business deals with complaints quickly and discreetly and regards patient satisfaction as a priority. OHE does not advertise; it is Dr Chang's view that the best promotion is patient recommendation; that 'word of mouth' is best for her business. Leaflets detailing treatments and prices are available from each centre. The first consultation is free and treatment charges, whilst not cheap, are competitive. Dr Chang thinks that the marketing mix elements of price, product and place are about right. 35

You must attempt ALL of the following tasks.

- 1 (a) The Oriental Health Experience is described as a limited partnership. Explain **two** features of a limited partnership. [4]
- (b) Dr Chang intends to open more health centres. Explain **two** ways in which she could raise the capital to pay for the expansion. [4]
- (c) Explain the following business and financial terms:
- (i) working capital; [4]
- (ii) petty cash (cash in hand); [4]
- (iii) double-entry book keeping. [4]
- [Total 20]
- 2 (a) The partners consider themselves to be stakeholders. Explain how the following can also be regarded as stakeholders:
- (i) patients; [2]
- (ii) All China Herb Company. [2]
- (b) The business is centralised. Give **one** advantage and **one** disadvantage of the centralisation of the business. [4]
- (c) Describe the following reasons for an organisation chart:
- (i) the distribution of work; [4]
- (ii) accountability; [4]
- (iii) **one other** relevant reason. [4]
- [Total 20]
- 3 (a) Members of Dr Chang's staff seem to have different contractual arrangements.
- (i) Explain what part-time employment means and give **one** benefit of it to the individual employee. [4]
- (ii) Explain what self-employment means and give **one** benefit of it to the employer. [4]
- (b) Dr Chang said she has **three** specific expectations of her staff. Explain **each** of the following expectations:
- (i) ability to work with others; [4]
- (ii) effective and efficient work; [4]
- (iii) acceptance of the code of conduct. [4]
- [Total 20]

- 4 (a) Every business is influenced in some way by external factors. Explain how OHE might be influenced by:
- (i) distribution of income; [4]
 - (ii) pressure groups and public opinion. [4]
- (b) Discuss the following factors which may influence the location of OHE's health centres:
- (i) supply of reliable and qualified personnel; [4]
 - (ii) the nature of the location; [4]
 - (iii) **one other** relevant factor. [4]
- [Total 20]**
- 5 (a) Explain the following **three** elements of the marketing mix in relation to the health centres:
- (i) price; [4]
 - (ii) product; [4]
 - (iii) place. [4]
- (b) (i) OHE does not have a customer relations policy but a 'patient relations policy' instead. Explain what OHE's Patient Relations Policy is. [4]
- (ii) List **four** ways Dr Chang's business could maintain patient loyalty and satisfaction. [4]
- [Total 20]**