IB BUSINESS MANAGEMENT

UNIT 1.1, 2.1, 3.1, 4.1 & 5.1
REVISION QUESTIONS (SAMPLE)*

THE WOON
METHOD

*ONLY 3 QUESTIONS PROVIDED IN THIS SAMPLE

1. Kiva, the Acumen Fund and Corporate Social Responsibility

Lending to small businesses in the world's poorest countries is growing rapidly. An example is the *Acumen Fund*. Set up as a "venture capital fund for the poor" by Jacqueline Novogratz, the *Acumen Fund* uses e-commerce to link small businesses in the developing world with increased generosity from wealthy individuals in the developed world.

The *Acumen Fund* has invested $20 million in firms varying from an ambulance service in Mumbai to a mosquito net factory in Tanzania. It provides venture capital funds from the United States for socially responsible businesses with potential to expand rapidly and become financially independent. It particularly targets health care, housing, water and energy.

Another example is *Kiva*, which has been operating as an e-commerce source of funds for developing start-ups for two years. Investors can provide as little as $25 to help fund start-ups, from Kenya to Vietnam. Again, socially responsible projects are targeted.

However, despite much needed funds reaching these projects, concerns surrounding venture capital remain. This capital is essentially short-term, volatile and investors can be impatient for quick returns. The "dot-com" boom of 1999-2000 highlighted that it can be removed very quickly if external factors change with devastating consequences for the business start-up. Some analysts have argued that other more sustainable sources of finance may be more appropriate for the developing world.

[Source: adapted from *The New Zealand Herald*, 18 September 2007]

(a) Examine **two** difficulties faced by new business start-ups in the developing world. *[6 marks]*

2. Safe Passage (SP)

Trent Peters is one of seven partners at *Safe Passage* (*SP*). It provides bodyguard services to film stars, politicians and other important people in Europe and the Americas. Trent would like to satisfy a growing demand from Asia but has to choose from two options for the recruitment and training of bodyguards. These are:

• offshoring by setting up it's own overseas branch in Asian country X or Y or Z
• subcontracting by using an external agency in Asian country X or Y or Z.

The forecast costs and revenues of offshoring are given below (all figures in US$ millions):

Option	Forecast costs	Forecast revenue if successful Probability: 0.3	Forecast revenue if not successful Probability: 0.7
1. Offshore to country X: has a history of earthquakes, good infrastructure	4	19	2
2. Offshore to country Y: has no history of earthquakes, poor infrastructure	5	16	4
3. Offshore to country Z: under reconstruction after a recent earthquake	6.4	21	4.2

The forecast costs of subcontracting to the same Asian countries are given below:

Country X: US$1.5 million.
Country Y: US$2.8 million.
Country Z: US$4.2 million.

The three suitable Asian countries are located in earthquake zones. An earthquake expert assured Trent that all three areas are safe. Trent is concerned and decides to prepare a contingency plan for each possible location in Asia.

Control over recruitment and training of bodyguards is vital to *SP*. Customer service and trust are their unique selling propositions (USP). Clients will pay high fees to ensure their safe transport to concerts, meetings and important events.

However, Trent is refusing valuable contracts in Asia due to a lack of suitably trained bodyguards. As a result *SP* is missing out on large profits. Trent has mentioned to a previous customer of his plans to subcontract the recruitment and training of bodyguards. She has threatened not to use *SP* again and would tell her friends if the plans went ahead. Trent is concerned as word-of-mouth promotion is crucial to *SP*.

He calls a meeting of all the partners. Three partners prefer subcontracting the recruitment and training as it is cheaper, quicker and less risky. The three other partners prefer offshoring. They believe that subcontracting will damage *SP's* USP. They argue that the higher costs of offshoring will be covered by the forecast high revenue.

(a) Examine **two** disadvantages for *SP* of subcontracting its recruitment and training of bodyguards. *[6 marks]*

3. Construir

Construir is a large construction company that uses empowerment, job enrichment and teamwork to motivate its workers. Commitment to quality is strong, and productivity is high.
The company makes substantial investment in the training and professional development of its workers, who may receive both external and internal training:

- External training takes place at a local university. However, university training fees are rising.
- Internal training is led by managers within each department. However, some managers do not feel comfortable in this role.

Managers also conduct worker appraisals in order to monitor performance and reward success. However, some managers feel that it takes too long to appraise workers appropriately; they also say that for some workers the appraisal process can be very stressful.

The government is considering the construction of a bridge, which would take three years to complete. This would be through a public-private partnership with *Construir*. The government would pay half of the cost of construction and would give *Construir* the right to charge a fee to drivers who use the bridge. Building the bridge, however, would represent financial and operational risks for *Construir*.

The company will not be able to accept other construction projects in order to build the bridge. Moreover, a general election is due next year and the current government is unpopular and not expected to win. If a new government is elected, *Construir* believes that the project may be cancelled. Some local environmental pressure groups are currently campaigning against the bridge project, arguing that government funds should be spent on health and education.

(a) Evaluate *Construir's* training and appraisal methods. *[9 marks]*