

IB Business Management

CASE STUDY PACK – MAY 2019

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Radeki de Dovnic Manufacturing (RDM)



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For May 2019 examinations

How to use this Case Study Pack

Thank you for purchasing this Case Study Pack. The 142-page Paper 1 Case Study Pack has been produced to help colleagues and students in their preparations for the May 2019 Paper 1 examination (*Radeki de Dovnic Manufacturing*).

The comprehensive Case Study Pack for *RDM* includes:

1. **Definitions** of all the key terms in the case study. Some 95 key terms/phrases have been identified and clearly defined in the context of the *RDM* case study. This includes an explanation of additional key words/phrases such as:

- Automated manufacturing process (line 34)
- Shop floor (44)
- Artificial intelligence (line 57)
- Big data (line 57)

See pages 5 – 17

2. A **stakeholder profile** of all the people and various stakeholders featured in the case study, including Adriana, Kristián and Jan Radeki de Dovnic.

See pages 18 – 21

3. **Timeline** of all the events from the pre-issued case study. Some additional events have also been included to add context to the *RDM* case study.

See pages 22 – 24

4. **Factsheet** – Key facts and figures in this country context fact sheet. This includes information about the Czech Republic's society, geography, economics, government and tourism.

See pages 25 – 28



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5. **Weekly comprehension quiz questions** – 10 short comprehension questions each week for 10 weeks to help test students' learning of the *RDM* case study. The first page of each quiz comes with the answers (for teachers) and the second page contains a version for students.

See pages 29 – 48

6. **True or False questions** – 10 questions each week for 10 weeks to test students' recall and understanding of the *RDM* case study. The first page of each quiz comes with the answers (for teachers) and the second page contains a blank version of the True or False quiz for students.

See pages 49 – 68

7. **A-Z Quiz** – A fun A-Z Quiz to test students' comprehension of the *RDM* case study. How many of these 26 questions can your students answer correctly?

See pages 69 – 70

8. **Wordle quizzes** – A collection of 5 Wordle quizzes, covering 45 key terms, to test your student's understanding of the case study. These quizzes are similar to crosswords but contain the answers randomly in a word cloud. The Wordles can also be used as part of a classroom display to trigger students' memory of the *RDM* case study.

See pages 71 – 80

9. An applied **SWOT analysis** of *RDM*. A SWOT analysis is a useful tool for strategic analysis. Whilst the pre-release case study lacks financial information, a fully applied SWOT analysis has been included for the *RDM* case study.

See pages 81 – 84

10. A **PEST analysis** for *RDM*. Similarly, a PEST analysis also provides useful information for strategic analysis and for formulating business strategy. A PEST analysis has been included for *RDM*, including additional data about the Czech economy.

See pages 85 – 87



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11. **Exam-style questions** with mark allocations, using learning outcomes from the IB BM syllabus. Choose from 50 exam-style questions that can be used for independent or collaborative work, homework, assessments and/or practise exams. Each of these questions come with suggested answers.

See pages 88 – 107

12. Separate **Paper 1 mock exams** for HL and SL, with accompanying mark schemes. The Paper 1 *RDM* Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme. For the SL mock exam, additional information has been included for Section B. For HL, additional information has been included in Sections B and C.

Note: whilst real data have been included where possible, the additional information in Sections B and C have been included only for the purpose of providing additional practise for the final examination.

SL mock exam paper - See pages 108 – 110

SL markscheme - See pages 111 – 120

HL mock exam paper - See pages 121 – 125

HL markscheme - See pages 1256 – 142

Best wishes with the preparations for the May 2019 examinations!

Paul Hoang

28th February 2019

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For more hints and ideas for the *RDM* case study, follow the author on Twitter:
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Key Terms

Radeki de Dovnic Manufacturing (RDM)



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1. Business (2)

A business is a decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of customers. It combines human, capital and financial resources to create such products. Radeki de Dovnic Manufacturing (*RDM*) is a family-owned business, founded in 1873.

2. Management (4)

Management encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational objectives. Managers focus on problem solving and decision-making so that goals can be achieved within a set time frame. Prior to 1949, the management at *RDM* had switched from producing coal-burning stoves to oil-burning stoves as the former had reached the final stages of their product life cycle.

3. Product life cycle (4)

The product life cycle of a business measures sales over time. A typical product life cycle has the following phases: introduction, growth, maturity, and decline. Both coal-burning stoves and oil-burning stoves had reached the end of their product life cycle, driving *RDM* to diversify and produce healthcare (medical) devices.

4. Private sector (6)

The section of the economy run by private individuals and firms, rather than by the public (government) sector. Firms in the private sector tend to strive to maximise their profit. *RDM* is a private sector business, owned by Radeki de Dovnic family members as private shareholders.

5. Commercial enterprises (6)

These are private sector businesses that operate primarily for profit. A core objective is to earn a return for their owners (shareholders). *RDM* is run as a commercial business, although it was nationalized during the period of Communism in Czechoslovakia.

6. Nationalized (7)

The purchase of private sector possessions and enterprises by the government, thereby effectively converting them into state-owned assets. Following Communist rule in Czechoslovakia, over 95% of private sector commercial enterprises were nationalized.

7. State-owned (8)

This refers to the government (public sector) ownership of assets and enterprises. In 1989, when Communism in Czechoslovakia collapsed, many businesses (including *RDM*) were privatized so were no longer state owned.

8. Privately-owned (8-9)

The opposite of state owned, this refers to the private (sector) ownership of assets and enterprises. Following the collapse of Communism in Czechoslovakia in 1989, many businesses (including *RDM*) became privately owned.

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9. Chief executive officer (CEO) (9)

The CEO of a company is the most senior person at the top of the organizational hierarchy. The CEO is supported by a team of senior executives, which typically includes a COO and CFO. The last three CEOs of *RDM* are Jan, Kristián and Adriana Radeki de Dovnic.

10. Demand (10)

Demand refers to the total amount of a good or service purchased at a particular price. As the demand for kerosene stoves had been declining for many years, Adriana Radeki de Dovnic decided to add healthcare devices in 1993.

11. Product portfolio (11)

This refers to the range or collection of goods and services produced or sold by an organization. *RDM*'s product portfolio includes healthcare devices.

12. Manufacturing (12)

This refers to the production process of combining and transforming raw materials and/or components into final goods, ready for sale to customers. *RDM* manufactures medical (healthcare) devices.

13. Goods (13)

Goods are physical products that a business sells, e.g. medical devices. With the baby boomer generation approaching retirement age, *RDM* expected the demand for goods in the healthcare industry to grow.

14. Services (13)

Services are intangible products provided by organizations. With many more people retiring in the Czech Republic, *RDM* expected the demand for goods and services in the healthcare industry to grow.

15. Industry (13)

An industry consists of businesses involved in a similar business activity so are in direct competition as they cater for the same client base. *RDM* operates in an industry that produces healthcare (medical) devices.

16. Bloc (17)

A group of countries with a common interest, thereby forming an alliance to achieve a common goal. Examples include political blocs and regional trading blocs. The former Soviet Bloc countries comprised of Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Poland, and Romania. The European Union (lines 82 – 83) is a regional trading bloc.

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17. Market economy (17)

An economic system with very minimal government intervention, where private individuals and firms have incentives to work hard to reap monetary gains. It is based on the foundations of capitalism, rather than communism. The Czech Republic operates as a stable market economy and democracy.

18. Trade relations (20)

This refers to the terms and conditions of international trade between two or more countries. Having good trade relationships tends to benefit all parties involved due to the increase in exchange between the countries, bringing economic benefits such as employment, economic growth and higher gross domestic product (GDP). The Czech Republic has good trade relations with Germany, the largest economy in Europe.

19. Infrastructure (22)

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. The Czech Republic is amongst the best in the world for its IT infrastructure.

20. Training (29)

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace. Dr Kristián Radeki de Dovnic's training and experiences as a professor in the USA had not prepared him well to take on the role of CEO of RDM in 1995.

21. Automated manufacturing process (34)

An automated manufacturing process (or automated manufacturing system) refers to the integration of software, equipment, robots and machinery to autonomously produce physical products, such as medical devices or aluminium water bottles. RDM's highly automated processes include the use of digitised communications between robots, 3D printing, cloud computing, mobile devices, big data and artificial intelligence.

22. Customers (35)

Customers are the individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization. All businesses strive to meet the needs and wants of their customers. RDM's customers can personalise the production of their desired healthcare devices by using a template on the company's web page.

23. Specifications (35)

A written statement of the requirements of a product, including information such as product design, functionality, and quality and/or safety standards that apply to the item. The specifications are sometimes accompanied by product images that visually illustrate functionality and product features. RDM's customers use a template on the company's web page to enter details of their product specifications for the healthcare devices.

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24. Products (38)

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 (such as *RDM's* healthcare devices) or an intangible service.

25. Accounting (40)

This is a key business function, involves all aspects of finance in an organization. Examples of accounting functions include preparing financial reports and final accounts to provide accurate and timely information to aid decision making. The accounting and marketing teams work together to determine a competitive price for each customer (Appendix 2).

26. Marketing (40)

This is the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. It involves meeting customers' needs and wants by focusing on ensuring the product, price, place and promotion are effective in encouraging sales of the good or service. The marketers at *RDM* work with the accountants to determine the price for customers, and a salesperson from the marketing team confirm the order with each customer.

27. Price (40)

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin. *RDM* offers competitive prices for its domestic customers and those in neighbouring Germany.

28. Shop floor (44)

A (work)shop floor is an area in a manufacturing facility (such as a workshop or factory) where production is carried out. This includes automated production system and/or manual work carried out by employees. The shop floor area may include capital equipment, machinery, inventory (stock) and storage facilities. *RDM's* shop floor includes robots, which are used configure the tooling for the production process of medical devices.

29. Raw materials (44-45)

Raw materials are natural resources used in the manufacturing process to produce finished goods. Examples include wood, metal ores, minerals, and crude oil. Raw materials are collected and loaded for production using robots and automated machinery on the shop floor at *RDM*.

30. Costing (47)

This refers to the process of calculating the cost of producing a particular good or service. At *RDM*, this is carried out by human accountants, rather than being automated.

31. Accountants (48)

These are people who work in the accounting department of an organization (or are outsourced personnel responsible for the financial accounting of their client). They carry out an important business function, such as the preparation of financial reports and final accounts. At *RDM*, accountants work with marketers to determine the prices charged to customers.

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32. Delivery (48)

This is part of an organization's operations management and marketing processes of getting goods to their customers. It involves logistics and supply-chain management process, such as distribution and transportation. At *RDM*, delivery is done by human-driven lorry (truck) drivers.

33. Unionized (51)

Unionized workers are those who belong to a recognized labour union. They are represented by their trade union (or employee representatives) in order to deal with employment disputes, conflicts or negotiations with their employers. In the past, and for many decades, *RDM* had a large labour force who belonged to labour unions.

34. Labour force (51)

This refers to the workforce of an organization, i.e. the total number of people employed by the business. In the past, *RDM* employed as many as 500 workers, but its labour force today only consists of 117 employees.

35. Mass produced (51)

Mass production is a method of production which relies on capital equipment and automation to manufacture goods on a large scale, on a continual basis. These products are targeted at mass markets, rather than niche markets. In the past, *RDM* mass produced its stoves to cater for residences and wholesalers.

36. Wholesalers (52)

Wholesalers are businesses that buy large quantities of products from a manufacturer, and then separate or 'break' the bulk into smaller units for sale by retailers. They sell goods to retailers or other commercial businesses rather than to individual consumers. *RDM* had previously used wholesalers as distributors for selling its stoves.

37. Globalization (52)

Globalization is the growing integration and interdependence of economic, social, technical and cultural issues of the world's economies, thereby making the world a 'smaller' place. For example, globalization has been fuelled by the free movement of labour in regional trading blocs and the growing presence of multinational corporations. This has intensified competition for *RDM*, including price-competitive manufacturers in Asia.

38. Competition (52)

This refers to the rivalry within an industry. *RDM* faces fierce competition from Asian manufacturers, who have lower cost structures. Globalization has also exposed *RDM* to more competition.

39. Costs (54)

Costs are items of expenditure by a business when producing its goods and/or services. Examples include the costs of: wages, salaries, rent, raw materials, advertising and taxes. *RDM* faces competition from Asian manufacturers with lower costs.

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40. Capital expenditure (54)

Capital expenditure refers to the spending of a business on acquiring, maintaining and/or upgrading its fixed assets. It represents a financial investment in the business, such as *RDM's* capital expenditure on automation and integrated manufacturing processes.

41. Communication (55)

Communication refers to the transfer of information from one party to another. *RDM* uses digitized communications between robots as part of its automated production process.

42. Cloud computing (57)

Cloud computing is the use of remote computer networks and servers hosted on the Internet, enabling users to access, store, manage, and process data. It replaces the need for users to do all of this using a local server or a personal computer. The “cloud” enables users to have on-demand computing resources. It dates back to the 1950s, when first pioneered by IBM. *RDM* uses cloud computing as part of its automation processes.

43. Big data (57)

Big data refers to extremely large volumes of data sets, which may or may not be structured. Big data analysts study the data sets to discover patterns and trends related to customer habits and behaviours. The analysis can lead to better strategic decision making. *RDM* uses big data as part of its automation processes.

44. Artificial intelligence (57)

AI is an aspect of computer science focusing on the ability of smart machines to perform tasks that typically require human intelligence, e.g. voice commands on a smartphone. IA enables intelligent machines to work and react like humans. At *RDM*, AI is used in robotics to handle tasks such as object manipulation and navigation in order to customize the production of healthcare devices.

45. 3D printing (58)

This is the manufacturing process of making solid, physical output using digital computer technologies. Watch this short *YouTube* video clip to see how 3D printing work:

<https://youtu.be/Vx0Z6LplaMU>

46. Customized production (58, 64)

Also known as job production, this production method involves the manufacturing of unique or one-off orders. *RDM's* highly automated processes enabled the company to produce 500 aluminium water bottles, customized for each employee.

47. Employees (66)

A type of internal stakeholder, employees are the people who work for an organization. They are employed by a business to carry out specific tasks within the organization. *RDM* employs 117 workers, most of whom love the culture that has been created by Jan Radeki de Dovnic.

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48. Executives (70)

An executive is a senior manager or director with autonomous decision-making responsibility in an organization. Having seen the success of the order for customized aluminium water bottles from a large medical customer, several executives at *RDM* encouraged Jan Radeki de Dovnic to make the production of such a product as a distinct division of the business.

49. Division (72)

A division is a strategic business unit (SBU) of a business organization. Several executives at *RDM* have proposed a separate division of the company to focus on the production of customized aluminium water bottles.

50. Stakeholders (73)

Stakeholders are the individuals and/or other organizations that have a direct interest in the operations and business affairs of the firm in question. They include internal stakeholders (such as executives, employees, managers and shareholders) and external stakeholders (such as customers, suppliers, the local community, and the Czech government). *RDM's* relationship with its stakeholders has changed since the move to automation, especially with a much smaller workforce.

51. Employer (74)

An individual or organization that employs (hires) labour for the production of goods and/or services. *RDM* was the largest employer in Lobjanec during the 1970s, but only employs 177 workers today.

52. Skilled manual labourers (74-75)

This refers to workers with special knowledge, training, and experiences to carry out physical work (rather than by machines). Most of the 117 workers at *RDM* are not skilled manual labourers, but highly trained engineers and computer experts.

53. Motivation (78)

Motivation is the desire, effort and willingness to complete a task or to achieve something. It can be extrinsic (such as pay and financial rewards) or intrinsic (such as pride, self-esteem, or altruism - the desire to help others). The highly trained engineers and computer experts at *RDM* are motivated significantly differently from the workers who survived the Second World War and had worked under the Communist regime in *RDM's* factories.

54. Vocational school (81)

A vocational school or college provides post-secondary education and career-focused training. People learn how to do a job that requires special skills and to perform the tasks of a particular and specific occupation. The local vocational school no longer liaises with *RDM* regarding the required skills of workers, due to the significant decline in manual workers required at *RDM*.

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55. European Union (82-83)

The European Union (EU) is an economic and political union between 28 member states in Europe. As a regional trading bloc, the member countries enjoy free trade, without protectionist measures such as tariffs and quotas. As the Czech Republic is a member of the EU, *RDM* is able to recruit engineers from across Europe due to the free movement of labour within the bloc.

56. Organization (structure) (84)

Organization structure refers to the various ways that a business organises its human resources. The framework for this is typically hierarchical (as was the case for *RDM*) and presented as an organizational chart, showing lines of authority (rights, duties and responsibilities) and the channels of communication within the organization. Jan Radeki de Dovnic, being the CEO, is at the top of the organization structure at *RDM*.

57. Hierarchical (85)

This refers to tall organization structures, with many levels of rankings in the organization, based on their level of responsibilities and decision-making power for different ranks within the organization. Traditionally, *RDM* had been hierarchical, but is far less so today due to its highly automated manufacturing processes and much smaller workforce.

58. Business functions (88)

Business functions are the various types of work carried out in a business. At *RDM*, these functions include accounting (finance), operations management (production), human resource management, and marketing.

59. Democratic leadership style (89)

This is a type of leadership style which embraces a participative role in decision-making. Everyone in the organization has the opportunity to participate their thoughts and ideas, in an open and collegial way. Collaboration and professional discussions are encouraged. The management team then synthesize all the available information in order to make the best informed decision. Jan Radeki de Dovnic uses a democratic leadership style.

60. Paternalistic (leadership) style (89)

A paternalistic leader is one who treats employees as if they were family members by guiding them through a process of consultation. The leader has extensive authority over employees but decisions are made which s/he believes are in the best interest of the workforce. Dr Kristián Radeki de Dovnic used a paternalistic leadership style during his time as CEO of *RDM*.

61. Changes (90)

Change refers to the modification or transformation in the way business is conducted as a response to internal factors or external influences. Changes arise when factors that influence the operations of an organization do not stay the same. Jan Radeki de Dovnic introduced many changes at *RDM* in his attempt to foster a culture on innovation.

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62. Innovation (91)

This is the commercial development, adoption and exploitation of an invention or creative idea that appeals to customers in a profitable way for the business, e.g. e.g. *RDM's* ergonomically designed medical devices. It can give any business a huge competitive advantage, so Jan Radeki de Dovnic has tried to create an environment that fosters innovation at *RDM*.

63. Company (91)

A company is a business owned by shareholders who have limited liability. Companies are incorporated institutions, i.e. they are legally separate entities from their owners. *RDM* is currently a private limited company.

64. Redundant (93)

Also known as **retrenchment**, this occurs when workers are legally dismissed because their job no longer exists. Redundancy at *RDM* was inevitable as the business downsized from around 500 workers back in the 1970s to just above 100 workers today.

65. Sales (93)

Sales refers to the volume of products sold by a business, per time period. Alternatively, it can refer to the total value of income earned from selling a good or service over a given period of time. *RDM* diversified into the production of healthcare products following the steady decline in the sales of its coal-burning and oil-burning stoves.

66. Product innovation (93-94) HL Only

This refers to the creation and commercialization of a good or service that is new, or an improved version of previous product. Typically, this involves incremental changes and improvements to existing products and services. Jan Radeki de Dovnic is constantly seeking product innovations at RDM.

67. Process innovation (93-94) HL Only

This refers to the creation and implementation of a new or significantly improved product, procedures or practices, such as delivery methods, production techniques, or dedicated software solutions. Typically, this involves significantly improved ways of doing things which increase productivity and/or reduce costs. Jan Radeki de Dovnic is constantly seeking process innovations at RDM.

68. Teamwork (95)

This is a form of non-financial reward, which occurs when employees work with fellow colleagues to achieve organizational goals. Teamwork can build a sense of belonging and help to raise labour productivity as employees support each other in their work. Jan Radeki de Dovnic places heavy emphasis on teamwork at *RDM*.

69. Corporate social responsibility (CSR) (99)

CSR is the conscience of a business with consideration of the organization's actions on its various stakeholder groups and the natural environment. It consists of responsible business behaviour towards the natural environment, consumers, suppliers, employees and local communities. CSR has always been a key aspects of the culture and practices at *RDM*.

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70. Sourcing (103)

This refers to where stocks (inventory) or products for sale are obtained from. As part of its CSR programme, *RDM* sources components from suppliers that have good CSR practices.

71. Wages (104)

Wages are a time-based payment system frequently used to pay workers a fixed amount on an hourly basis. Workers receive this payment for the work or services provided. It is commonly used to pay manual or unskilled workers. As part of its CSR programme, *RDM* has always paid its workers fair wages.

72. Location (106)

This refers to the geographical position of a business. The location decision is a crucial one, as it can have profound implications on the profitability and survival of the organization. *RDM* can usually offer a competitive price to its clients located within a 700-kilometre radius of Lobjanec.

73. Price competitive (108)

This pricing strategy entails a business setting the price of its products at the same or similar level as their competitors. Typically, this pricing strategy is used by businesses selling similar products, although the services they provide can differ markedly. Being able to charge competitive prices enables *RDM* to access lucrative markets such as Germany.

74. Grow (expansion) (111 and 115)

This is the expansion of a business due to an increase in the size of the organization and/or growth in the industry. It is usually measured by an increase in a firm's sales revenue, number of employees or profits. For *RDM* to continue to grow, the CFO has proposed building an additional production facility elsewhere in Europe.

75. Markets (111)

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service. At present, *RDM* is not very price competitive in potentially lucrative markets that are located in over 700-kilometre radius, due to the relatively high cost of delivery.

76. Chief financial officer (CFO) (111 – 112)

The CFO is a senior executive with overall responsibility for the organization's finances. This includes the management of the firm's financial planning, master budgets, record-keeping, and financial reporting. *RDM's* CFO has suggested that the company should build an additional production facility elsewhere in Europe to cater for a larger market.

77. Production facility (112)

A production facility refers to a building or area where physical products are made, such as in a factory or manufacturing plant. The production facility usually consists of buildings, machinery, capital equipment, and commercial vehicles. One of the options for growth at *RDM* is to build an additional production facility outside of the Czech Republic.

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78. Finance (115)

Finance refers to the monetary funds required for business purposes, such as loan capital and share capital. Finance for a business can be categorised as internal (such as retained profit), or external (such as share capital or mortgages). To finance *RDM's* expensive expansion, the company could use share capital or loan capital.

79. Share capital (115-116)

Share capital is a source of finance, raised by selling shares in a company to shareholders (who become part-owners of the company). Share capital is the most important source of finance for private and public limited companies. One way to finance *RDM's* expensive expansion plan is through the use of share capital.

80. Loan capital (116)

Any external source of finance that incurs interest charges, such as overdrafts, commercial bank loans, mortgages and debentures. One way to finance *RDM's* expensive expansion plan is through loan capital.

81. Relocation (116)

This means changing from one business location to another. Relocation usually happens because of rising costs at the existing location or other beneficial reasons in a different location (such as improved logistics from being nearer to the firm's customers). Relocating *RDM's* production facility could be extremely expensive, and perhaps unfeasible.

82. Private limited company (117)

A private limited company (Ltd.) is an incorporated business owned by shareholders who have limited liability. The shares of a private limited company cannot be bought by or sold to the general public. *RDM* is 100% owned, as a private limited company, by the Radeki de Dovnic family.

83. Go public (117)

To 'go public' means to become a public limited company through an initial public offering (IPO), thus becoming a publicly traded and owned entity. Businesses usually go public to raise capital in hopes of expanding.

84. Marketing strategy (119)

This refers to the management process of formulating a firm's marketing goals and activities to increase sales and to achieve a sustainable competitive advantage. It is usually drawn from market research and focuses on all aspects of the firm's marketing mix in order to achieve its strategic goals. At present, *RDM* does not have a marketing strategy.

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85. Corporate strategy (121)

Corporate strategy refers to the intended direction and scope of a business over the long-term. It entails on-going consideration of both internal factors (such as the organization's mission statement) and external factors (namely the external business environment). At present, *RDM* does not have a corporate strategy beyond a vision in Jan Radeki de Dovnic's mind.

86. Vision (121)

The vision of a business is where the business aspires to be in the future; the vision is therefore the long term and ultimate aim of a business. Having a vision gives an organization a clear sense of purpose and direction. Jan Radeki de Dovnic has an idea of a vision (in his mind), which he clearly communicates with the employees, but *RDM* does not have a written vision statement.

87. Corporate strategic plan (122)

A corporate strategic plan is an organization's proposal of its business strategy, outlining its strategic direction and including the necessary resources to pursue the strategy. As a management tool, strategic planning starts with strategic analysis (an examination of its current position in the market), followed by strategic choice (the possible options through which the firm can pursue its strategy) and ending in strategic implementation (deciding how to get to where the firm wants to be). Currently, *RDM* does not have a corporate strategic plan.

88. Brand (123)

A brand is an individual name, symbol, image or trademark unique to a product or business organization. As an intangible asset, the brand differentiates the product or organization from competing products and firms in the industry. *RDM's* brand name is outdated.

89. Brand identity (123)

Brand identity refers to the way in which a business wants its products to be perceived by the consumers. It includes the visual elements of a brand that together identify and distinguish it in the consumers' minds. *RDM* has a weak brand identity.

90. Mission statement (123-124)

This refers to a declaration of an organization's overall goal and its purpose. It forms the foundation for setting the aims and objectives of an organization. *RDM* does not have a written declaration of its mission.

91. Operations management (124)

Operations management is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the form of goods and/or services. It aims to provide the right quantity and quality of goods or services in a cost-effective and timely manner. *RDM's* operations focus on the production of healthcare devices.

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92. Operations management strategy (124)

This refers to the production team's plan to achieve its operations management objectives, such as production targets and the use of integrated automated production processes. *RDM* does not currently have an operations management strategy.

93. Human resources (124)

Human resources are the personnel or the employees of a business, often regarded as an asset for their skills and abilities. *RDM* employs highly trained engineers from universities across Europe, computer experts and skilled manual labourers. It employs a total of 117 workers (line 75).

94. Human resources plan (124)

A human resources plan is a long-term plan to ensure that the labour force within an organization has the correct skills and expertise to carry out its roles within the business, so that it meet its organizational goals. At present, *RDM* does not have a human resources plan.

95. Profits (126)

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. Despite all the issues facing *RDM* and concerns from Jan Radeki de Dovnic, the company is currently enjoys healthy profits.

96. Sales person (Appendix 1)

This refers to a person who sells goods and/or services directly to customers on behalf of the business they work for. The sales person, often from the marketing department, informs and persuades existing and potential customers to make purchases. At *RDM*, a sales person confirms the customer's order once the accounting and marketing departments can determined a price for the customized healthcare device.



For May 2019 examinations

The Radeki de Dovnic family

- An old aristocratic family (form of government granted to a privileged ruling class) of the Austro-Hungarian Empire
- Founded *RDM* as a family business in 1873
- Regained control of *RDM* in 1990, after it was nationalized in 1949 (following the Communist takeover of Czechoslovakia)
- Own *RDM* outright, maintaining it as a family business
- Have traditionally held a caring and paternalistic attitude towards their employees
- This culture means the family continues to place emphasis on its CSR programme, e.g. paying fair wages and sourcing components from firms that also have good CSR practices.

Adriana Radeki de Dovnic

- Became chief executive officer (CEO) of *RDM* in 1990, following the collapse of Communist rule in Czechoslovakia
- Added ergonomically designed healthcare devices to *RDM*'s product portfolio in 1993
- Retired as CEO in 1995.

Dr Kristián Radeki de Dovnic (1920–2001)

- Born in 1920, and died in 2001 (aged 81)
- A former Austro-Hungarian baron (honorable title for an important or powerful person, often linked to heredity and inheritance reasons)
- Was the head of the Radeki de Dovnic family for many years
- Fled Czechoslovakia in 1944, escaping to the USA, with only the money in his pockets
- Earned his PhD in History
- Became a professor at an American university
- Had the opportunity to return to his home country and eagerly accepted the offer to become CEO of the family business when Adriana Radeki de Dovnic retired as CEO in 1995
- His professional training and experiences had not prepared him for being CEO of *RDM*
- Had a son, Jan Radeki de Dovnic (born in 1963)
- Adopted a paternalistic leadership style
- Under his leadership, the environment at *RDM* was orderly, but dull and depressing – due to continual redundancies caused by the falling demand for kerosene stoves.



For May 2019 examinations

Jan Radeki de Dovnic

- 56 years (born in 1963)
- Son of Dr Kristián Radeki de Dovnic (1920–2001)
- Born and grew up in the USA
- Studied engineering at university
- Had long wanted to live in Czechoslovakia, his father's home country
- Took over as CEO of *RDM* in 2001 (aged 38), when his father died
- Introduced a highly automated manufacturing process in 2006 (which became operational in 2009)
- Determined in the early 2000s that European manufacturers would have to lower their costs, due to the forces of globalization and fierce competition from Asian manufacturers
- Constantly seeking both product innovation and process innovation
- Painstakingly introduced many changes in practices at *RDM*, over many years, to create an environment (culture) of innovation
- Fosters an atmosphere (culture) that is conducive to creativity
- Has a democratic leadership style
- Places heavy emphasis on teamwork, diversity, humour and fun in the workplace
- Is aware of the CFO's proposal for growth, but wants to address the fact that *RDM* does not have a marketing strategy
- Has a vision for *RDM*, but only in his mind rather than as a written statement; he has communicated this vision to his employees
- Needs to address some serious matters, namely that *RDM* does not have a:
 - modern or fashionable, but outdated, name
 - strong brand identity
 - relevant vision or mission statement
 - marketing strategy
 - written operations management plan
 - written human resources plan
 - corporate strategic plan.



For May 2019 examinations

Employees

- *RDM* has a workforce of 117 employees (although it used to have around 500 in the 1970s)
- Today, only a small number of workers at *RDM* are involved in manufacturing, most of whom are highly trained engineers and computer experts, rather than skilled manual labourers
- Engineers review the specifications of healthcare devices once customers have entered their requirements using the template on *RDM*'s web page
- Engineers will often contact customers if questions arise, or if they are able to improve the design for the customers
- The accounting and marketing personnel work together to determine a price for the customer, once the product design is approved
- Sales personnel from the marketing department contact the customers to confirm that they want to proceed with their orders
- Once an order has been confirmed, staff pass on the design specifications electronically to the shop floor, where robots configure the tooling to manufacture the healthcare device
- Highly trained engineers and computer experts monitor and manage the highly automated manufacturing processes
- The attitudes, aspirations and motivations of the engineers and computer experts differ significantly from *RDM*'s workers who survived World War II and those who worked under the Communist regime
- Human accountants handle the costing of products
- Human-driven lorries (trucks) are hired to deliver the products
- Engineers are recruited from universities across Europe, due to the Czech Republic being a member state of the EU (where there is free movement of labour)
- Teams composed of individuals from all business functions (departments) at *RDM* work together to manage customers' orders
- Most employees love the working environment (culture) created by the CEO – an atmosphere conducive to creativity, with heavy emphasis on teamwork, diversity, humour and fun – even though things may sometimes seem chaotic to them
- Some employees have complained that Jan Radeki de Dovnic's leadership has created an atmosphere where there is insufficient guidance, so the company sometimes lacks focus.

Executives

- Several executives of the company encouraged the CEO to create a distinct division that would focus on the manufacturing of customized aluminium water bottles.



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Chief financial officer (CFO)

- Is aware of the opportunity for *RDM* to grow and access potentially lucrative markets (such as Scandinavia, the Netherlands, Belgium, France and northern Italy)
- Proposed that *RDM* build a production facility elsewhere in Europe, to extend *RDM*'s market area.

Customers

- Purchase healthcare (medical) devices
- Place order by entering their desired specifications for healthcare devices into a template on *RDM*'s web page
- One large medical customer ordered 500 customized aluminium water bottles for each of its own employees.

Vocational school

- Locally based, in Lobjanec
 - No longer liaises with *RDM* regarding the required skills of workers, due to the significant decline in *RDM*'s workforce and the company's use of automation.
-

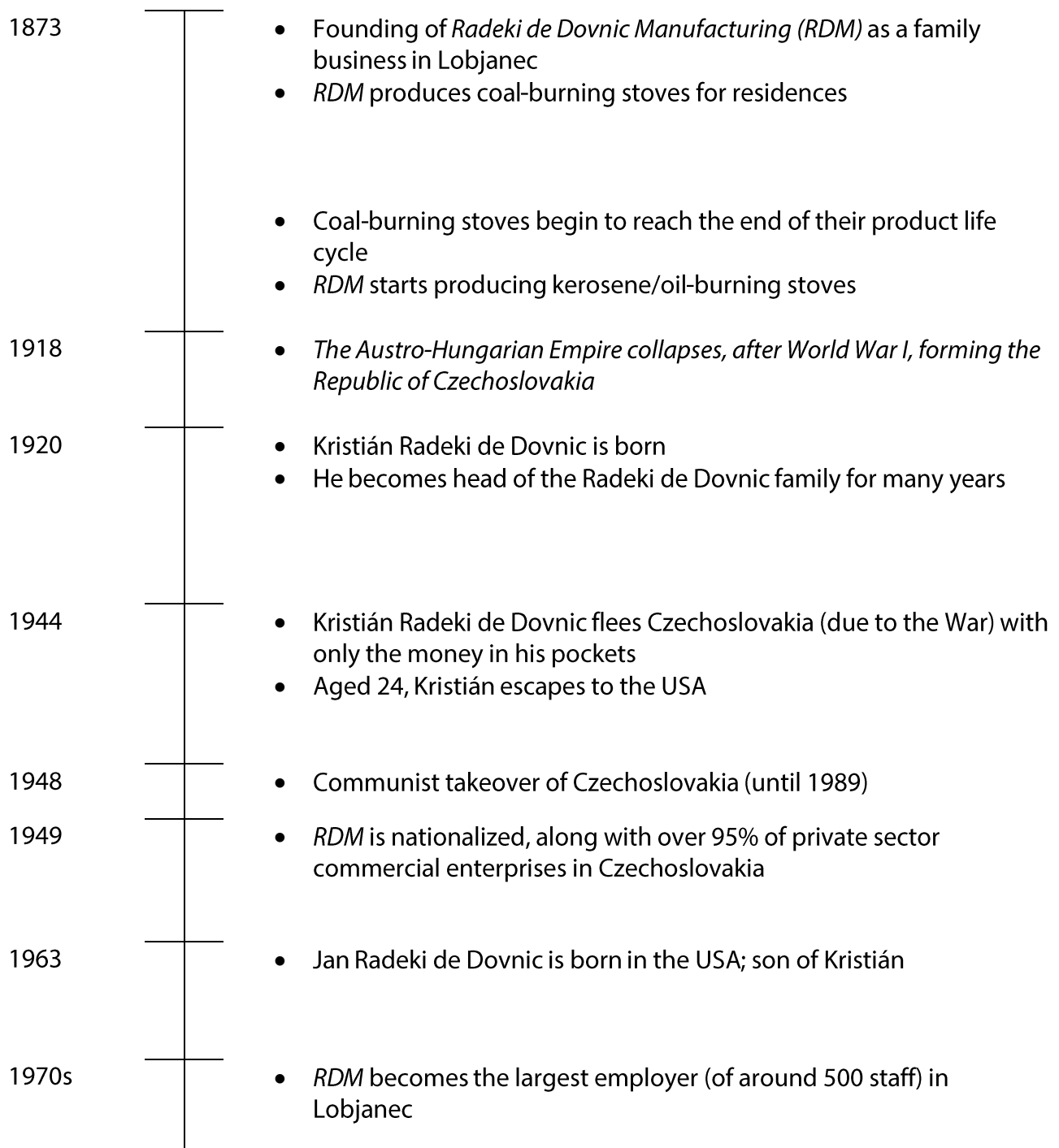
Time Line

Radeki de Dovnic Manufacturing (RDM)



For May 2019 examinations

The timeline for *RDM* (1873 – present) is shown in this section. Dates and events in addition to the information given in the case study are shown in italics.



Time Line

Radeki de Dovnic Manufacturing (RDM)



For May 2019 examinations

1989	<ul style="list-style-type: none"> • The Velvet Revolution sees the collapse of Communism in Czechoslovakia • The Czech economy has fared well since the Velvet Revolution
1990	<ul style="list-style-type: none"> • <i>RDM</i> is privatized, and is once again wholly owned by the Radeki de Dovnic family • Adriana Radeki de Dovnic takes over as chief executive officer (CEO) of <i>RDM</i> • The demand for kerosene stoves continues to decline
1993	<ul style="list-style-type: none"> • Czechoslovakia peacefully dissolves, forming two separate countries: the Czech Republic and Slovakia (Slovak Republic) • Adriana Radeki de Dovnic (CEO) decides to add healthcare devices to <i>RDM's</i> product portfolio
1995	<ul style="list-style-type: none"> • <i>The Czech Republic becomes a member of the OECD</i> • Adriana Radeki de Dovnic retires as CEO of <i>RDM</i> • Kristián Radeki de Dovnic returns to his home country, and takes over as CEO of <i>RDM</i>
1999	<ul style="list-style-type: none"> • <i>The Czech Republic becomes a member of NATO</i>
2001	<ul style="list-style-type: none"> • Dr Kristián Radeki de Dovnic dies, aged 81 • Jan Radeki de Dovnic takes over as CEO of <i>RDM</i>, and remains as the CEO to the current day
2002	<ul style="list-style-type: none"> • <i>RDM</i> produces its last kerosene stove
Early 2000s	<ul style="list-style-type: none"> • Jan Radeki de Dovnic realizes that European manufacturers have to lower costs due to fierce competition from Asian manufacturers
2004	<ul style="list-style-type: none"> • <i>The Czech Republic becomes a member of the European Union (EU), with the free movement of labour throughout the EU bloc</i>

Time Line

Radeki de Dovnic Manufacturing (RDM)



For May 2019 examinations

2006		<ul style="list-style-type: none"> • Jan Radeki de Dovnic begins to introduce a highly automated manufacturing process at <i>RDM</i> • <i>The World Bank recognises the Czech Republic as an economically developed country</i>
2009		<ul style="list-style-type: none"> • Jan Radeki de Dovnic’s highly automated manufacturing process becomes operational • <i>The UN Human Development Index ranks The Czech Republic as a nation of "Very High Human Development"</i>
2019		<ul style="list-style-type: none"> • <i>RDM</i> is highly automated • The company employs 117 workers • <i>RDM</i> no longer has the level of local influence that it formerly had • Matters to be addressed by Jan Radeki de Dovnic and his executive team at <i>RDM</i>: <ul style="list-style-type: none"> ○ No marketing strategy ○ No written operations management strategy ○ No human resources strategy ○ No corporate strategy ○ No written or relevant vision or mission statement ○ An outdated brand name ○ A weak brand identity • The company enjoys healthy profits (for now)

Unknown dates:

- When Kristián Radeki de Dovnic gains his PhD in History and becomes a professor at an American university (after 1944 but before 1995).
- Date of large medical customer placing order for 500 customized aluminium water bottles.
- After taking over as CEO in 2001, Jan painstakingly introduces changes to create an innovative environment at *RDM*.
- *RDM* improves its automation processes (introduced in 2006, operational in 2009).
- Dates when the vocational school liaises with *RDM* regarding the required skills of workers.



For May 2019 examinations

The section helps to provide a country context to the case study. It should help students to respond more appropriately in the examination.

Society

- The population of the Czech Republic is over 10.6 million, with over 1.3 million in Prague
- The people of the Czech Republic are called Czechs
- The official language is Czech
- The Czech and Slovak languages are mutually intelligible
- Czechs prefer to be labelled as Central Europeans, rather than Eastern Europeans
- Czechs consume an average of 43 gallons (160 litres) of beer per person per year – the largest amount per capita on the planet
- According to *Reporters Without Borders*, the Czech Republic has the 5th freest press in the world
- According to the *World Economic Forum's Environmental Performance Index*, the Czech Republic is ranked 27th most environmentally conscious country in the world
- Healthcare in the Czech Republic is ranked similar in quality to other economically developed countries
- According to the *Euro Health Consumer Index (EHCI)*, the Czech Republic has the 13th best healthcare system in the world, based on waiting times, results, and generosity; this is higher in ranking than Portugal, the UK, Spain, Ireland and Italy
- Around 90% of Czechs have completed at least secondary education – amongst the highest rate in the European Union
- The Czech Republic has one of the fastest average internet speeds in the world
- The most popular sport in the Czech Republic is ice hockey
- The Czech Republic also gave the world sugar cubes (1843) and the word 'robot' (1920)!

Geography

- Czechia is the official one-word name of the Czech Republic
- The capital and largest city in the Czech Republic is Prague
- Other major cities in the Czech Republic include: Brno, Ostrava, Pilsen, and Olomou
- Located in Central Europe, the Czech Republic is a landlocked country (see Appendix 2), bordered by 4 countries: Germany, Poland, Slovakia and Austria



For May 2019 examinations

- The country is relatively small (slightly smaller than Portugal, Austria, and the UAE but slightly larger than Panama, Ireland and Sierra Leone)
- It is almost entirely surrounded by mountains
- About a third of the Czech Republic is forest, and there are over 400 lakes.

Economics

- According to the World Bank, the Czech Republic is classified as a high income country
- The Koruna (CZK) is the official currency of the Czech Republic, at an exchange rate of around USD 1 = CZK 22.7
- The Czech Republic has the highest standard of living of any former Soviet Bloc country (comprising of Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Poland, and Romania)
- The Czech Republic is the second richest Eastern European country, after Slovenia
- GDP per capita in Prague is about twice the national average, which is around USD 22,779 per annum
- The country is a major car manufacturer in Eastern Europe, producing over 1.2 million cars each year
- The Czech Republic's largest car manufacturer is Skoda Auto
- Czech glass is well known around the world, and the glass-making industry is very important for the economy
- Key economic indicators:
 - GDP annual rate of growth: 2.9%
 - Unemployment rate: 3.3%
 - Inflation rate: 2.5%
 - Base interest rate: 1.75%
 - Business confidence index: 95.7 (2005 is the base year, where the index = 100)
 - Consumer confidence index: 109.2 (2005 is the base year, where the index = 100)
 - Corporate tax rate: 19%
 - Personal income tax rate: 22%
- According to *Eurostat* rankings, the Czech Republic has the sixth-lowest minimum wage in the European Union, at around €513 per month in 2019
- In 2018, the Czech Republic had the lowest rate of unemployment in the EU, at just below 4%
- In 2018, the country ranked 31st out of 137 countries on the *World Economic Forum's Global Competitiveness Index* and 14th in Europe on the [Global Innovation Index](#)
- The influx of foreign direct investment (FDI) over the last two decades has transformed the Czech economy into a manufacturing and logistics hub in Europe.



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Government

- Communist rule in Czechoslovakia ceased in 1989 when the Velvet Revolution took place
- In 1993 (26 years ago), Czechoslovakia ceased to exist, peacefully forming two new countries: The Slovak Republic and the Czech Republic (also see line 32)
- Today, the Czech Republic is a stable, democratic parliamentary republic
- The Czech flag is the same one formerly used by Czechoslovakia, originally adopted in 1920
- The President of the Czech Republic is Milos Zeman (since 2013) and the Prime Minister is Andrej Babiš (since 2017)
- According to *Transparency International* (www.transparency.org), the Czech Republic is one of the world's most transparent (or least corrupt) countries, ranking 38 out of 180 in the annual list
- The World Bank's annual *Ease of Doing Business* survey ranks the Czech Republic at number 35 out of 190 countries, with neighbouring Germany in 24th and Poland in 33rd (although the Czech Republic was ranked 26th back in 2015)
- The Czech Republic has the most number of hospital beds per capita in the European Union
- The Czech Republic joined NATO in March 1999 and the European Union in 2004.

Tourism

- Tourism is a major source of income for the Czech economy (also see line 19)
- Prague is one of Europe's most popular travel destinations
- The Czech Republic has over 2,000 castles, the highest density of castles in any country around the world
- Prague Castle is the largest ancient castle in the world, at over 7 hectares (18 acres or almost 70,000 square meters)
- With around 7 million foreign visitors a year, Prague is Europe's 5th most visited city, after London, Paris, Istanbul and Rome
- Most tourists come from Germany, Slovakia, Poland and Russia
- The fastest growing markets are tourists from China and South Korea.

Sources:

1. The World Bank Doing Business: www.doingbusiness.org/content/dam/doingBusiness/country/czech-republic/
2. World Bank data: <https://data.worldbank.org/country/afghanistan>
3. Transparency International: <https://www.transparency.org/country/CZE>



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4. WikiTravel: https://wikitravel.org/en/Czech_Republic
 5. Everything Everywhere: <https://everything-everywhere.com/8-facts-about-the-czech-republic/>
 6. Just Fun Facts: <http://justfunfacts.com/interesting-facts-about-czech-republic/>
 7. Journey Wonders: <https://www.journeywonders.com/interesting-facts-czech-republic/>
 8. Trading Economics: <https://tradingeconomics.com/czech-republic/indicators>
 9. Wikipedia – Euro Health Consumer Index: https://en.wikipedia.org/wiki/Euro_health_consumer_index
-



For May 2019 examinations

Week 1 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What is the capital city of the Czech Republic?
.....
2. What percentage of *RDM* is owned by the Radeki de Dovnic family?
.....
3. In which year was the Velvet Revolution?
.....
4. Where was Jan Kristián Radeki de Dovnic born?
.....
5. Which functional areas (departments) of *RDM* work together to determine the price of healthcare devices charged to its customers?
.....
6. How many people were employed by *RDM* in the 1970s?
.....
7. Do design changes for the healthcare products come with almost every order at *RDM*?
.....
8. Does *RDM* have a strong sense of corporate social responsibility (CSR)?
.....
9. What is the legal structure of *RDM* as a business organization?
.....
10. Does *RDM* have a strong brand identity?
.....



For May 2019 examinations

Week 1 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What is the capital city of the Czech Republic?
Prague
2. What percentage of *RDM* is owned by the Radeki de Dovnic family?
100%
3. In which year was the Velvet Revolution?
1989
4. Where was Jan Kristián Radeki de Dovnic born?
The USA
5. Which functional areas (departments) of *RDM* work together to determine the price of healthcare devices charged to its customers?
Accounting and Marketing
6. How many people were employed by *RDM* in the 1970s?
Approx. 500
7. Do design changes for the healthcare products come with almost every order at *RDM*?
Yes
8. Does *RDM* have a strong sense of corporate social responsibility (CSR)?
Yes
9. What is the legal structure of *RDM* as a business organization?
Private limited company
10. Does *RDM* have a strong brand identity?
No



For May 2019 examinations

Week 2 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which (fictitious) city is *RDM* located?

.....

2. When did Adriana Radeki de Dovnic become CEO of *RDM*?

.....

3. What is the strongest economy in Europe?

.....

4. How was Czechoslovakia split on 1st January 1993?

.....

5. Who reviews the specifications of the healthcare devices once a customer has entered their specifications?

.....

6. How many customized aluminium water bottles did a customer ask *RDM* to manufacture?

.....

7. Where does *RDM* recruit engineers from?

.....

8. What have some employees complained about Jan Radeki de Dovnic’s organizational culture at *RDM*?

.....

9. Which other countries/regions are mentioned as potentially lucrative markets for *RDM*?

.....

10. When did the Radeki de Dovnic regain control of the family business?

.....



For May 2019 examinations

Week 2 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which (fictitious) city is *RDM* located?
Lobjanec
2. When did Adriana Radeki de Dovnic become CEO of *RDM*?
1990
3. What is the strongest economy in Europe?
Germany
4. How was Czechoslovakia split on 1st January 1993?
Czech Republic and Slovak Republic
5. Who reviews the specifications of the healthcare devices once a customer has entered their specifications?
An engineer at RDM
6. How many customized aluminium water bottles did a customer ask *RDM* to manufacture?
500
7. Where does *RDM* recruit engineers from?
Universities (graduates) across the European Union, where there is free movement of labour
8. What have some employees complained about Jan Radeki de Dovnic's organizational culture at *RDM*?
Somewhat chaotic, there being insufficient guidance, and the business sometimes lacking focus
9. Which other countries/regions are mentioned as potentially lucrative markets for *RDM*?
Scandinavia, the Netherlands, Belgium, France and northern Italy
10. When did the Radeki de Dovnic regain control of the family business?
1990 (after the Velvet Revolution)



For May 2019 examinations

Week 3 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year was *RDM* founded?

.....

2. Who was Adriana Radeki de Dovnic?

.....

3. Who had a PhD in History and became a professor at an American university?

.....

4. What did Jan Radeki de Dovnic study at university in the USA?

.....

5. Who monitors the production process of *RDM's* healthcare devices?

.....

6. Which business was the largest single employer in Lobjanec in the 1970s?

.....

7. Has the traditional organizational structure of *RDM* been hierarchical?

.....

8. Is there an innovative culture (environment) at *RDM* today?

.....

9. Does Jan Radeki de Dovnic clearly communicate his vision with *RDM's* employees?

.....

10. Is *RDM* profitable?

.....



For May 2019 examinations

Week 3 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year was *RDM* founded?
1873
2. Who was Adriana Radeki de Dovnic?
The CEO of *RDM* back in 1990, following the collapse of Communism in Czechoslovakia
3. Who had a PhD in History and became a professor at an American university?
Dr Kristián Radeki de Dovnic
4. What did Jan Radeki de Dovnic study at university in the USA?
Engineering
5. Who monitors the production process of *RDM*'s healthcare devices?
Highly trained engineers
6. Which business was the largest single employer in Lobjanec in the 1970s?
RDM
7. Has the traditional organizational structure of *RDM* been hierarchical?
Yes
8. Is there an innovative culture (environment) at *RDM* today?
Yes
9. Does Jan Radeki de Dovnic clearly communicate his vision with *RDM*'s employees?
Yes – but this is not written down anywhere
10. Is *RDM* profitable?
Yes, due to its high quality products and responsiveness to customer needs



For May 2019 examinations

Week 4 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Does *RDM* have an outdated name?

.....

2. What product did *RDM* originally make?

.....

3. What is the second (foreign) language spoken by many educated Czechs?

.....

4. In which year did Adriana Radeki de Dovnic retire as the CEO of *RDM*?

.....

5. How are most orders placed by customers of *RDM*?

.....

6. What was unique about the customized aluminium water bottles produced by *RDM* for one of its customers?

.....

7. What leadership style does Jan Radeki de Dovnic have?

.....

8. Is Germany within 700 kilometres of Lobjanec?

.....

9. Does *RDM* have a clear/obvious corporate strategy?

.....

10. Does *RDM* pay its workers a fair wage?

.....



For May 2019 examinations

Week 4 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Does *RDM* have an outdated name?
Yes
2. What product did *RDM* originally make?
Coal-burning stoves
3. What is the second (foreign) language spoken by many educated Czechs?
German
4. In which year did Adriana Radeki de Dovnic retire as the CEO of *RDM*?
1995
5. How are most orders placed by customers of *RDM*?
Entering their specification into a template on *RDM*'s web page
6. What was unique about the customized aluminium water bottles produced by *RDM* for one of its customers?
Each employee had their name on their personalised water bottle
7. What leadership style does Jan Radeki de Dovnic have?
Democratic
8. Is Germany within 700 kilometres of Lobjanec?
Yes, thus *RDM* can deliver products to customers in Germany at competitive prices
9. Does *RDM* have a clear/obvious corporate strategy?
No
10. Does *RDM* pay its workers a fair wage?
Yes (as part of its CSR)



For May 2019 examinations

Week 5 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Where is Lobjanec?

.....

2. In which year did Adriana Radeki de Dovnic decide to add healthcare (medical) devices to *RDM's* product portfolio?

.....

3. Who became the CEO of *RDM* after Adriana Radeki de Dovnic retired in 1995?

.....

4. When did Jan Radeki de Dovnic introduce a highly automated manufacturing process at *RDM*?

.....

5. What leadership style did Dr Kristián Radeki de Dovnic have?

.....

6. What product did one large medical customer asked *RDM* to custom manufacture for its 500 employees?

.....

7. Can *RDM* offer competitive prices for delivery?

.....

8. What might *RDM* have to do to raise sufficient funds if the production facility is to be relocated?

.....

9. Does *RDM* have a written operations management or human resources plan?

.....

10. Does *RDM* have a written corporate strategic plan?

.....



For May 2019 examinations

Week 5 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Where is Lobjanec?
A small city, in the Czech Republic
2. In which year did Adriana Radeki de Dovnic decide to add healthcare (medical) devices to RDM's product portfolio?
1993 (three years after she became CEO)
3. Who became the CEO of RDM after Adriana Radeki de Dovnic retired in 1995?
Dr Kristián Radeki de Dovnic (who had returned from the USA)
4. When did Jan Radeki de Dovnic introduce a highly automated manufacturing process at RDM?
2006 (although it was not operational until 3 years later)
5. What leadership style did Dr Kristián Radeki de Dovnic have?
Paternalistic
6. What product did one large medical customer asked RDM to custom manufacture for its 500 employees?
Aluminium water bottles
7. Can RDM offer competitive prices for delivery?
Generally, yes
8. What might RDM have to do to raise sufficient funds if the production facility is to be relocated?
Go public (i.e. become a public limited company in order to raise the necessary share capital)
9. Does RDM have a written operations management or human resources plan?
No
10. Does RDM have a written corporate strategic plan?
No



For May 2019 examinations

Week 6 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Why did the management at *RDM* switch to the production of oil-burning stoves instead of coal-burning stoves?

.....

2. Who took over *RDM* as CEO when it was privatized in 1990?

.....

3. Which member of the Radeki de Dovnic family fled Czechoslovakia in 1944 for a better life in the USA?

.....

4. In which year did Dr Kristián Radeki de Dovnic die?

.....

5. Which department in *RDM* contacts customers to confirm that they want to proceed with their order, once the design and price have been determined?

.....

6. How are deliveries of *RDM's* products made?

.....

7. Are most people at *RDM* who are still involved in manufacturing highly skilled manual workers?

.....

8. For how long has Jan Radeki de Dovnic been CEO of *RDM*?

.....

9. What kind of culture (atmosphere) does Jan Radeki de Dovnic try to cultivate at *RDM*?

.....

10. What are the two sources of finance that could be used to build an additional production facility elsewhere in Europe?

.....



For May 2019 examinations

Week 6 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Why did the management at *RDM* switch to the production of oil-burning stoves instead of coal-burning stoves?
The latter were in their final stages of the product life cycle
2. Who took over *RDM* as CEO when it was privatized in 1990?
Adriana Radeki de Dovnic
3. Which member of the Radeki de Dovnic family fled Czechoslovakia in 1944 for a better life in the USA?
Dr Kristián Radeki de Dovnic
4. In which year did Dr Kristián Radeki de Dovnic die?
2001
5. Which department in *RDM* contacts customers to confirm that they want to proceed with their order, once the design and price have been determined?
Marketing department
6. How are deliveries of *RDM*'s products made?
By human-driven lorries (trucks)
7. Are most people at *RDM* who are still involved in manufacturing highly skilled manual workers?
No, most of these are highly trained engineers and computer experts
8. For how long has Jan Radeki de Dovnic been CEO of *RDM*?
18 years (he was CEO in 2001)
9. What kind of culture (atmosphere) does Jan Radeki de Dovnic try to cultivate at *RDM*?
One that is conducive to creativity, teamwork, diversity, humour and fun
10. What are the two sources of finance that could be used to build an additional production facility elsewhere in Europe?
Share capital or loan capital



For May 2019 examinations

Week 7 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What is the heritage of the Radeki de Dovnic family?

.....

2. Why did the Radeki de Dovnic lose control of the family business in 1949?

.....

3. Which (approx.) 50-year period after the Second World War was Czechoslovakia under Communist rule?

.....

4. From which time period was Adriana Radeki de Dovnic CEO of *RDM*?

.....

5. In which year was the last kerosene stove produced at *RDM*?

.....

6. What are the two reasons why Adriana Radeki de Dovnic introduced medical devices to *RDM*'s product portfolio?

.....

7. Who did *RDM* sell its mass produced stoves to?

.....

8. Are most employees at *RDM* involved in the manufacturing process?

.....

9. Who traditionally directed the designs of coal-burning or kerosene stoves at *RDM*?

.....

10. What radius from Lobjanec can *RDM* offer competitive prices for delivery?

.....



For May 2019 examinations

Week 7 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What is the heritage of the Radeki de Dovnic family?
An old aristocratic family of the Austro-Hungarian Empire
2. Why did the Radeki de Dovnic lose control of the family business in 1949?
Nationalization of private commercial businesses
3. Which (approx.) 50-year period after the Second World War was Czechoslovakia under Communist rule?
1949 – 1989
4. From which time period was Adriana Radeki de Dovnic CEO of RDM?
1990 – 1995
5. In which year was the last kerosene stove produced at RDM?
2002 (one year after Jan Radeki de Dovnic became the CEO)
6. What are the two reasons why Adriana Radeki de Dovnic introduced medical devices to RDM's product portfolio?
Declining demand for the oil-burning stoves and growing demand for healthcare products due to the baby boomer generation soon to retire
7. Who did RDM sell its mass produced stoves to?
Residences and wholesalers
8. Are most employees at RDM involved in the manufacturing process?
No, only a small number of workers are – due to the highly automated production process at RDM
9. Who traditionally directed the designs of coal-burning or kerosene stoves at RDM?
The CEO
10. What radius from Lobjanec can RDM offer competitive prices for delivery?
700 kilometres



For May 2019 examinations

Week 8 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Approx. what percentage of businesses were nationalized during the period of Communism in post-War Czechoslovakia?
.....
2. Since the Velvet Revolution, has the Czech economy fared well?
.....
3. In which year did Dr Kristián Radeki de Dovnic leave Czechoslovakia, escaping to the USA?
.....
4. Who became CEO of *RDM* after Dr Kristián Radeki de Dovnic had died?
.....
5. Which two areas of *RDM*'s operations are yet to be automated?
.....
6. Does the local vocation school still liaise with *RDM*?
.....
7. What are the three components of *RDM*'s corporate social responsibility (CSR) programme?
.....
8. Is relocating of *RDM*'s production facility (from Lobjanec) a feasible option?
.....
9. For how long did the Radeki de Dovnic family lose control of its family business due to state ownership?
.....
10. Does *RDM* make good (quality) products?
.....



For May 2019 examinations

Week 8 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Approx. what percentage of businesses were nationalized during the period of Communism in post-War Czechoslovakia?
Over 95%
2. Since the Velvet Revolution, has the Czech economy fared well?
Yes
3. In which year did Dr Kristián Radeki de Dovnic leave Czechoslovakia, escaping to the USA?
1944 (during WWII)
4. Who became CEO of *RDM* after Dr Kristián Radeki de Dovnic had died?
Jan (in 2001)
5. Which two areas of *RDM*'s operations are yet to be automated?
Delivery and costing of products (accounting)
6. Does the local vocation school still liaise with *RDM*?
No, due to the reduction and transformation of *RDM*'s labour force
7. What are the three components of *RDM*'s corporate social responsibility (CSR) programme?
Sourcing components from businesses with good CSR practices; paying fair wages to its own employees; having a strong emphasis on care for the environment
8. Is relocating of *RDM*'s production facility (from Lobjanec) a feasible option?
No, it could be very expensive and beyond what *RDM* could raise in finance
9. For how long did the Radeki de Dovnic family lose control of its family business due to state ownership?
Approx. 41 years (from 1949 to 1990)
10. Does *RDM* make good (quality) products?
Yes



For May 2019 examinations

Week 9 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Was *RDM* ever nationalized at any time?

.....

2. Which European country does the case study mention has positive trade relations with the Czech Republic?

.....

3. In which year was Jan Radeki de Dovnic born?

.....

4. What product does *RDM* primarily produce today?

.....

5. What happens to a customer's order once the design is approved by an engineer?

.....

6. What did some executives want Jan Radeki de Dovnic to consider, in terms of a separate business division?

.....

7. Why does *RDM* no longer have the level of local influence that it once had?

.....

8. Why was the previous culture at *RDM* described as 'somewhat depressing'?

.....

9. What has the Chief Financial Officer (CFO) proposed to access potentially lucrative markets in Europe?

.....

10. Does *RDM* have a relevant vision or mission statement?

.....



For May 2019 examinations

Week 9 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Was *RDM* ever nationalized at any time?
Yes, under the period of Communism in post-War Czechoslovakia
2. Which European country does the case study mention has positive trade relations with the Czech Republic?
Germany
3. In which year was Jan Radeki de Dovnic born?
1963
4. What product does *RDM* primarily produce today?
Healthcare (medical) devices
5. What happens to a customer's order once the design is approved by an engineer?
Passed onto the marketing and accounting departments
6. What did some executives want Jan Radeki de Dovnic to consider, in terms of a separate business division?
The production of personalized aluminium water bottles
7. Why does *RDM* no longer have the level of local influence that it once had?
The huge decline in *RDM's* labour force, from 500 to 117 workers, and differences in attitudes, aspirations and motivations of the workforce
8. Why was the previous culture at *RDM* described as 'somewhat depressing'?
Due to the continual stream of staff redundancies caused by falling demand for *RDM's* stoves
9. What has the Chief Financial Officer (CFO) proposed to access potentially lucrative markets in Europe?
To build an additional production facility elsewhere in Europe (to allow easier access to these lucrative regions/countries)
10. Does *RDM* have a relevant vision or mission statement?
No



For May 2019 examinations

Week 10 Quiz

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year did the Communists take over Czechoslovakia?
.....
2. What are the four reasons why the Czech economy has fared well since 1989, despite broader economic trends in Europe?
.....
3. Had Dr Kristián Radeki de Dovnic’s experiences and training in the USA prepared him well for the role of CEO at *RDM*?
.....
4. How old was Dr Kristián Radeki de Dovnic when Jan was born?
.....
5. In which year did Jan Radeki de Dovnic’s highly automated manufacturing process become operational?
.....
6. Which two external factors forced Jan Radeki de Dovnic to consider lower production costs at *RDM*?
.....
7. How many people are employed at *RDM* today?
.....
8. How old was Jan Radeki de Dovnic when he became CEO of *RDM*?
.....
9. Which two factors affect the delivery cost of products sold to *RDM*’s customers?
.....
10. What did Jan Radeki de Dovnic need to address first before considering the CFO’s proposal for growth and expansion of *RDM*?
.....



For May 2019 examinations

Week 10 Quiz (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year did the Communists take over Czechoslovakia?
1948 (but accept 1949 as indicated in the case study)
2. What are the four reasons why the Czech economy has fared well since 1989, despite broader economic trends in Europe?
Relatively smooth transition to a market economy and democracy; tourism in Prague; trade relations with Germany; having one of the world's best IT infrastructure
3. Had Dr Kristián Radeki de Dovnic's experiences and training in the USA prepared him well for the role of CEO at *RDM*?
No
4. How old was Dr Kristián Radeki de Dovnic when Jan was born?
43 (Kristián was born in 1920, whilst Jan was born in 1963)
5. In which year did Jan Radeki de Dovnic's highly automated manufacturing process become operational?
2009 (although he introduced this in 2006)
6. Which two external factors forced Jan Radeki de Dovnic to consider lower production costs at *RDM*?
Globalization and fierce competition from manufacturers in Asia
7. How many people are employed at *RDM* today?
117
8. How old was Jan Radeki de Dovnic when he became CEO of *RDM*?
38 (he was born in 1963 and became CEO in 2001 when his father died)
9. Which two factors affect the delivery cost of products sold to *RDM*'s customers?
Weight and distance
10. What did Jan Radeki de Dovnic need to address first before considering the CFO's proposal for growth and expansion of *RDM*?
The company's marketing strategy – it doesn't have one at the moment(!)



For May 2019 examinations

True or False – Quiz 1

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> is wholly owned by the Radeki de Dovnic family.	
2. Following the communist takeover of Czechoslovakia in 1949, most businesses were nationalized.	
3. Adriana had expected the demand for medical devices to boom.	
4. Tourism has boosted the Czech economy.	
5. Dr Kristián Radeki de Dovnic was a German-Hungarian baron.	
6. Jan Radeki de Dovnic became CEO of <i>RDM</i> in 2001.	
7. Robots and automated processes produce the healthcare device, once the customer has confirmed their order.	
8. <i>RDM</i> had employed workers belonging to labour unions.	
9. Most of <i>RDM's</i> employees today are still involved in manufacturing.	
10. Dr Kristián Radeki de Dovnic had a paternalistic leadership style.	



For May 2019 examinations

True or False – Quiz 1 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. RDM is wholly owned by the Radeki de Dovnic family.	T
2. Following the communist takeover of Czechoslovakia in 1949, most businesses were nationalized. Over 95% were	T
3. Adriana had expected the demand for medical devices to boom.	T
4. Tourism has boosted the Czech economy.	T
5. Dr Kristián Radeki de Dovnic was a German-Hungarian baron. He was an Austro-Hungarian baron	F
6. Jan Radeki de Dovnic became CEO of RDM in 2001.	T
7. Robots and automated processes produce the healthcare device, once the customer has confirmed their order.	T
8. RDM had employed workers belonging to labour unions.	T
9. Most of RDM's employees today are still involved in manufacturing. Only a small number are involved in manufacturing	F
10. Dr Kristián Radeki de Dovnic had a paternalistic leadership style.	T



For May 2019 examinations

True or False – Quiz 2

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> is located in Lobjanec, in the Czech Republic.	
2. The Velvet Revolution occurred in 1889.	
3. Today, the Czech Republic is run as a market economy.	
4. Dr Kristián was head of the Radeki de Dovnic family for many years.	
5. Jan Radeki de Dovnic, aged 46, was born in 1973.	
6. It is common for <i>RDM</i> engineers to contact customers once they have entered their specifications for medical devices on the firm’s web page.	
7. <i>RDM</i> ’s relationship with its stakeholders has changed since the company’s decision to highly automate its production.	
8. The vocational school in Lobjanec continues to liaise with <i>RDM</i> regarding the required skills of workers in the city.	
9. <i>RDM</i> places strong emphasis on paying fair wages to its workers.	
10. <i>RDM</i> does not have a corporate strategy.	



For May 2019 examinations

True or False – Quiz 2 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. RDM is located in Lobjanec, in the Czech Republic.	T
2. The Velvet Revolution occurred in 1889. 1989	F
3. Today, the Czech Republic is run as a market economy.	T
4. Dr Kristián was head of the Radeki de Dovnic family for many years.	T
5. Jan Radeki de Dovnic, aged 46, was born in 1973. He is 56 (born in 1963)	F
6. It is common for RDM engineers to contact customers once they have entered their specifications for medical devices on the firm's web page.	T
7. RDM's relationship with its stakeholders has changed since the company's decision to highly automate its production.	T
8. The vocational school in Lobjanec continues to liaise with RDM regarding the required skills of workers in the city. It no longer does this	F
9. RDM places strong emphasis on paying fair wages to its workers.	T
10. RDM does not have a corporate strategy.	F



For May 2019 examinations

True or False – Quiz 3

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> was founded in 1875.	
2. Privatization of industries occurred <i>after</i> the Velvet Revolution in 1989.	
3. Prague is a magnet for tourists.	
4. In 1944, Dr Kristián Radeki de Dovnic fled Czechoslovakia and escaped to the USA.	
5. Jan Radeki de Dovnic is the son of Adriana.	
6. <i>RDM</i> is highly automated.	
7. In the 1970s, <i>RDM</i> was the largest single employer in Lobjanec.	
8. Automation has led to organizational changes at <i>RDM</i> .	
9. <i>RDM</i> can generally offer competitive pricing in a 1,000-kilometre radius of Lobjanec.	
10. <i>RDM</i> is known for making good products.	



For May 2019 examinations

True or False – Quiz 3 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. RDM was founded in 1875. 1873	F
2. Privatization of industries occurred <i>after</i> the Velvet Revolution in 1989.	T
3. Prague is a magnet for tourists.	T
4. In 1944, Dr Kristián Radeki de Dovnic fled Czechoslovakia and escaped to the USA.	T
5. Jan Radeki de Dovnic is the son of Adriana. He is the son of Kristián	F
6. RDM is highly automated. Although not all of its operations are highly automated	T
7. In the 1970s, RDM was the largest single employer in Lobjanec.	T
8. Automation has led to organizational changes at RDM.	T
9. RDM can generally offer competitive pricing in a 1,000-kilometre radius of Lobjanec. 700-kilometre radius	F
10. RDM is known for making good products.	T



For May 2019 examinations

True or False – Quiz 4

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> was founded in 1873.	
2. Adriana knew the demand for kerosene (oil-burning) stoves had been declining for many years.	
3. The Czech Republic has good trade relations with Germany.	
4. Dr Kristián Radeki de Dovnic's returned to the Czech Republic in 1995.	
5. Highly trained engineers monitor the production process of the medical devices, only intervening occasionally.	
6. In the 1970s, <i>RDM</i> employed roughly 500 workers, but there are around 5,000 employees today.	
7. Most employees love the culture and atmosphere at <i>RDM</i> , under Jan Radeki de Dovnic's leadership.	
8. Currently, <i>RDM</i> does not have a marketing strategy.	
9. <i>RDM</i> has a strong brand identity.	
10. <i>RDM</i> has a written human resources plan.	



For May 2019 examinations

True or False – Quiz 4 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> was founded in 1873.	T
2. Adriana knew the demand for kerosene (oil-burning) stoves had been declining for many years.	T
3. The Czech Republic has good trade relations with Germany.	T
4. Dr Kristián Radeki de Dovnic's returned to the Czech Republic in 1995.	T
5. Highly trained engineers monitor the production process of the medical devices, only intervening occasionally.	T
6. In the 1970s, <i>RDM</i> employed roughly 500 workers, but there are around 5,000 employees today. Only 117 people	F
7. Most employees love the culture and atmosphere at <i>RDM</i> , under Jan Radeki de Dovnic's leadership.	T
8. Currently, <i>RDM</i> does not have a marketing strategy.	T
9. <i>RDM</i> has a strong brand identity.	F
10. <i>RDM</i> has a written human resources plan.	F



For May 2019 examinations

True or False – Quiz 5

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Radeki de Dovnic family are an old aristocratic family of the Austro-Hungarian Empire.	
2. Communism in Czechoslovakia collapsed in 1989 during the Velvet Revolution.	
3. Educated Czechs tend to speak both Czech and German.	
4. Dr Kristián Radeki de Dovnic fled Czechoslovakia in 1920.	
5. Jan Radeki de Dovnic became CEO of <i>RDM</i> after his father retired in 2001.	
6. Everything at <i>RDM</i> is highly automated.	
7. <i>RDM's</i> integration of technologies enables it to produce more than just healthcare devices.	
8. There is free movement of labour throughout the European Union.	
9. A strong sense of corporate social responsibility (CSR) has always been a core value at <i>RDM</i> .	
10. <i>RDM</i> has an outdated brand name.	



For May 2019 examinations

True or False – Quiz 5 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Radeki de Dovnic family are an old aristocratic family of the Austro-Hungarian Empire.	T
2. Communism in Czechoslovakia collapsed in 1989 during the Velvet Revolution.	T
3. Educated Czechs tend to speak both Czech and German.	T
4. Dr Kristián Radeki de Dovnic fled Czechoslovakia in 1920. He was born in 1920; he fled Czechoslovakia in 1944	F
5. Jan Radeki de Dovnic became CEO of RDM after his father retired in 2001. His father passed away in 2001	F
6. Everything at RDM is highly automated. Costing of products and delivery are not automated at RDM	F
7. RDM's integration of technologies enables it to produce more than just healthcare devices. It has recently produced 500 customized aluminium water bottles for a client	T
8. There is free movement of labour throughout the European Union.	T
9. A strong sense of corporate social responsibility (CSR) has always been a core value at RDM.	T
10. RDM has an outdated brand name.	T



For May 2019 examinations

True or False – Quiz 6

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> originally made coal-burning stoves.	
2. Dr Kristián Radeki de Dovnic became the CEO of <i>RDM</i> in 1990.	
3. France is Europe’s largest economy.	
4. Adriana Radeki de Dovnic chose to retire as the company’s CEO in 1995.	
5. For most orders, customers enter the specifications on <i>RDM</i> ’s web page.	
6. <i>RDM</i> uses cloud computing as part of its integrated automation processes.	
7. <i>RDM</i> continues to have a large degree of influence in Lobjanec.	
8. Traditionally, the Radeki de Dovnic family have adopted a caring and paternalistic attitude towards their employees.	
9. Employees are aware of Jan Radeki de Dovnic’s vision for <i>RDM</i> .	
10. <i>RDM</i> currently earns healthy profits.	



For May 2019 examinations

True or False – Quiz 6 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. RDM originally made coal-burning stoves.	T
2. Dr Kristián Radeki de Dovnic became the CEO of RDM in 1990. <i>Adriana was CEO from 1990</i>	F
3. France is Europe’s largest economy. <i>Germany is the largest economy; France is the second largest EU country</i>	F
4. Adriana Radeki de Dovnic chose to retire as the company’s CEO in 1995.	T
5. For most orders, customers enter the specifications on RDM’s web page.	T
6. RDM uses cloud computing as part of its integrated automation processes.	T
7. RDM continues to have a large degree of influence in Lobjanec. <i>Not anymore; RDM hires far fewer people today due to its highly automated processes</i>	F
8. Traditionally, the Radeki de Dovnic family have adopted a caring and paternalistic attitude towards their employees.	T
9. Employees are aware of Jan Radeki de Dovnic’s vision for RDM.	T
10. RDM currently earns healthy profits.	T



For May 2019 examinations

True or False – Quiz 7

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> had originally made coal-burning stoves for several decades.	
2. In 1993, Adriana decided to add healthcare (medical) devices using ergonomic designs to the firm’s product portfolio.	
3. The Czech Republic is a large country.	
4. Dr Kristián Radeki de Dovnic’s PhD was in History.	
5. <i>RDM</i> stopped producing kerosene stove in 2002.	
6. <i>RDM</i> had sold its stoves to wholesalers.	
7. Several executives at <i>RDM</i> have encouraged Jan Radeki de Dovnic to have a separate division for making customized aluminium water bottles.	
8. <i>RDM</i> has traditionally been hierarchical.	
9. A core value at <i>RDM</i> is care for the environment.	
10. <i>RDM</i> has a vision and a vision statement.	



For May 2019 examinations

True or False – Quiz 7 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. <i>RDM</i> had originally made coal-burning stoves for several decades.	T
2. In 1993, Adriana decided to add healthcare (medical) devices using ergonomic designs to the firm’s product portfolio.	T
3. The Czech Republic is a large country. <i>It is a small, compact country</i>	F
4. Dr Kristián Radeki de Dovnic’s PhD was in History.	T
5. <i>RDM</i> stopped producing kerosene stove in 2002.	T
6. <i>RDM</i> had sold its stoves to wholesalers. <i>These were massed produced</i>	T
7. Several executives at <i>RDM</i> have encouraged Jan Radeki de Dovnic to have a separate division for making customized aluminium water bottles.	T
8. <i>RDM</i> has traditionally been hierarchical.	T
9. A core value at <i>RDM</i> is care for the environment.	T
10. <i>RDM</i> has a vision and a vision statement. <i>It has neither – Jan has a vision, but only in his head</i>	F



For May 2019 examinations

True or False – Quiz 8

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Communist takeover Czechoslovakia occurred in 1949.	
2. The Czech Republic is not immune to broader economic trends in Europe.	
3. The Czech Republic has one of the world’s best IT infrastructures.	
4. In 1944, Dr Kristián Radeki de Dovnic fled Czechoslovakia and escaped to Germany.	
5. Czechoslovakia was split into the Czech Republic and the Slovak Republic on 1 January 2003.	
6. Self-driving lorries (trucks) have replaced human-driven ones for delivery of <i>RDM</i> ’s products.	
7. There has been a decline in the number of workers at <i>RDM</i> since the 1970s, due to automation.	
8. Jan Radeki de Dovnic quickly introduced a culture of innovation after becoming CEO of <i>RDM</i> in 2001.	
9. The Radeki de Dovnic family regained control of <i>RDM</i> in 1990.	
10. <i>RDM</i> is known for having competitive prices in the markets it sells to.	



For May 2019 examinations

True or False – Quiz 8 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Communist takeover Czechoslovakia occurred in 1949.	T
2. The Czech Republic is not immune to broader economic trends in Europe.	T
3. The Czech Republic has one of the world’s best IT infrastructures.	T
4. In 1944, Dr Kristián Radeki de Dovnic fled Czechoslovakia and escaped to Germany. He escaped to the USA	F
5. Czechoslovakia was split into the Czech Republic and the Slovak Republic on 1 January 2003. It was divided on 1 January 1993	F
6. Self-driving lorries (trucks) have replaced human-driven ones for delivery of <i>RDM</i> ’s products. Not yet	F
7. There has been a decline in the number of workers at <i>RDM</i> since the 1970s, due to automation.	T
8. Jan Radeki de Dovnic quickly introduced a culture of innovation after becoming CEO of <i>RDM</i> in 2001. It took him many years to achieve this	F
9. The Radeki de Dovnic family regained control of <i>RDM</i> in 1990.	T
10. <i>RDM</i> is known for having competitive prices in the markets it sells to.	T



For May 2019 examinations

True or False – Quiz 9

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. Dr Kristián Radeki de Dovnic fled Czechoslovakia in 1944.	
2. The Velvet Revolution occurred in 1989.	
3. Today, the Czech Republic is run as a democracy.	
4. <i>RDM</i> now primarily manufactures healthcare (medical) devices.	
5. Before confirming a particular order, an employee from the accounting department contacts the customer.	
6. <i>RDM</i> has recently produced 5,000 customized aluminium water bottles for a customer.	
7. <i>RDM</i> recruits engineers from universities across Europe.	
8. The vision of <i>RDM</i> is written down in the company's strategic plan.	
9. <i>RDM</i> is responsive to the needs of its customers.	
10. <i>RDM</i> has a relevant vision and mission statement.	



For May 2019 examinations

True or False – Quiz 9 (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. Dr Kristián Radeki de Dovnic fled Czechoslovakia in 1944.	T
2. The Velvet Revolution occurred in 1989.	T
3. Today, the Czech Republic is run as a democracy.	T
4. RDM now primarily manufactures healthcare (medical) devices.	T
5. Before confirming a particular order, an employee from the accounting department contacts the customer. The person is from the marketing department	F
6. RDM has recently produced 5,000 customized aluminium water bottles for a customer. 500, not 5,000	F
7. RDM recruits engineers from universities across Europe.	T
8. The vision of RDM is written down in the company's strategic plan.	F
9. RDM is responsive to the needs of its customers.	T
10. RDM has a relevant vision and mission statement. It has neither	F



For May 2019 examinations

True or False – Quiz 10 (the extended version!)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Communist takeover Czechoslovakia occurred in 1849.	
2. Adriana Radeki de Dovnic became the CEO of <i>RDM</i> in 1990.	
3. Dr Kristián Radeki de Dovnic became the firm’s CEO after Adriana stepped down in 1995.	
4. Five years after becoming CEO, Jan Radeki de Dovnic introduced highly automated manufacturing processes.	
5. <i>RDM</i> has a written operations management strategy.	
6. <i>RDM</i> is considering capital expenditures on both 3D printing and artificial intelligence.	
7. Engineers and computer experts manage the automated process at <i>RDM</i> .	
8. The CEO manages all orders at <i>RDM</i> .	
9. The chief financial officer (CFO) of <i>RDM</i> has proposed that <i>RDM</i> should build another production facility outside of the Czech Republic.	
10. <i>RDM</i> can deliver its products at a competitive price to Scandinavia, the Netherlands, Belgium, France and northern Italy.	
11. The Czech economy has fared well since 1989.	
12. Jan Radeki de Dovnic has a democratic leadership style.	
13. Jan Radeki de Dovnic studied History at university in the USA.	
14. Most of <i>RDM</i> ’s employees who are involved in manufacturing are not skilled manual labourers.	
15. Recently, <i>RDM</i> was able to quickly and inexpensively make aluminium water bottles, with different colours for a customer.	



For May 2019 examinations

True or False – Quiz 10: the extended version! (Answers)

Read the pre-issued case study before answering these questions. To test your comprehension of the case study, answer these true or false questions (without referring to the case study).

	True / False
1. The Communist takeover Czechoslovakia occurred in 1849. 1949	F
2. Adriana Radeki de Dovnic became the CEO of <i>RDM</i> in 1990.	T
3. Dr Kristián Radeki de Dovnic became the firm’s CEO after Adriana stepped down in 1995.	T
4. Five years after becoming CEO, Jan Radeki de Dovnic introduced highly automated manufacturing processes. Although these only became operational in 2009	T
5. <i>RDM</i> has a written operations management strategy.	F
6. <i>RDM</i> is considering capital expenditures on both 3D printing and artificial intelligence. It already uses both of these kinds of technologies	F
7. Engineers and computer experts manage the automated process at <i>RDM</i> .	T
8. The CEO manages all orders at <i>RDM</i> . Teams of individuals from all business functions (departments) do this, not the CEO	F
9. The chief financial officer (CFO) of <i>RDM</i> has proposed that <i>RDM</i> should build another production facility outside of the Czech Republic.	T
10. <i>RDM</i> can deliver its products at a competitive price to Scandinavia, the Netherlands, Belgium, France and northern Italy.	F
11. The Czech economy has fared well since 1989.	T
12. Jan Radeki de Dovnic has a democratic leadership style.	T
13. Jan Radeki de Dovnic studied History at university in the USA. He studied Engineering; his father had a PhD in History	F
14. Most of <i>RDM</i> ’s employees who are involved in manufacturing are not skilled manual labourers. Most of these are highly trained engineers and computer experts	T
15. Recently, <i>RDM</i> was able to quickly and inexpensively make aluminium water bottles, with different colours for a customer.	T



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Identify the answer from each of the clues given. Answers appear in alphabetical order.

	Clue	Answer
A	Technologies used to reduce production costs at <i>RDM</i> .	
B	The generation that caused <i>RDM</i> to diversify to manufacturing medical (healthcare) devices.	
C	Position of Jan Radeki de Dovnic at <i>RDM</i> .	
D	One of just two areas of <i>RDM</i> 's operations yet to be automated.	
E	Trading bloc in Europe, enabling the free movement of labour.	
F	As part of its CSR, <i>RDM</i> pays wages to its employees.	
G	Second language spoken by many educated Czechs.	
H	Tall organizational structures, with narrow spans of control.	
I	The Czech Republic's .. infrastructure is ranked one of the world's best.	
J	Name of Kristián's son.	
K	Oil-burning stoves – the original products made by <i>RDM</i> .	
L	Interest-bearing source of finance to fund <i>RDM</i> 's expansion.	
M	A plan showing how <i>RDM</i> will achieve its marketing objectives.	
N	State-ownership of former private-sector businesses.	
O	Business function involved with production processes at <i>RDM</i> .	
P	<i>RDM</i> 's stoves had reached the final stages of their ...	
Q	<i>RDM</i> is known for its (good) products at competitive prices.	
R	<i>RDM</i> workers became when demand for stoves declined.	
S	Relationships with changed after <i>RDM</i> used automation.	
T	Jan fosters an atmosphere that emphasises in the workplace.	
U	For many years, <i>RDM</i> had employed a large labour force.	
V	Demonstrations against the one-party state and collapse of Communism in Czechoslovakia.	
W	<i>RDM</i> believes in paying fair to its employees.	
X	The CFO has a proposed an .x..... plan to build an additional production facility elsewhere in Europe.	
Y	European country, ending in the letter Y, which could prove to be a lucrative market for <i>RDM</i> .	
Z	Country where <i>RDM</i> operates – .z... ..	



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Answers

	Clue	Answer
A	Technologies used to reduce production costs at <i>RDM</i> .	Automation
B	The generation that caused <i>RDM</i> to diversify to manufacturing medical (healthcare) devices.	Baby boomer generation
C	Position of Jan Radeki de Dovnic at <i>RDM</i> .	Chief executive officer
D	One of just two areas of <i>RDM</i> 's operations yet to be automated.	Delivery
E	Trading bloc in Europe, enabling the free movement of labour.	European Union
F	As part of its CSR, <i>RDM</i> pays ... wages to its employees.	Fair
G	Second language spoken by many educated Czechs.	German
H	Tall organizational structures, with narrow spans of control.	Hierarchical
I	The Czech Republic's ... is ranked one of the world's best.	IT infrastructure
J	Name of Kristián's son.	Jan Radeki de Dovnic
K	Oil-burning stoves – the original products made by <i>RDM</i> .	Kerosene
L	Interest-bearing source of finance to fund <i>RDM</i> 's expansion.	Loan capital
M	A plan showing how <i>RDM</i> will achieve its marketing objectives.	Marketing strategy
N	State-ownership of former private-sector businesses.	Nationalized
O	Business function involved with production processes at <i>RDM</i> .	Operations management
P	<i>RDM</i> 's stoves had reached the final stages of their ...	Product life cycle
Q	<i>RDM</i> is known for its ... (good) products at competitive prices.	Quality
R	<i>RDM</i> workers became ... when demand for stoves declined.	Redundant
S	Relationships with ... changed after <i>RDM</i> used automation.	Stakeholders
T	Jan fosters an atmosphere that emphasises ... in the workplace.	Teamwork
U	For many years, <i>RDM</i> had employed a large ... labour force.	Unionized (labour union)
V	Demonstrations against the one-party state and collapse of Communism in Czechoslovakia.	Velvet Revolution
W	<i>RDM</i> believes in paying fair ... to its employees.	Wages
X	The CFO has a proposed an ... plan to build an additional production facility elsewhere in Europe.	Expansion
Y	European country, ending in the letter Y, which could prove to be a lucrative market for <i>RDM</i> .	(northern) Italy
Z	Country where <i>RDM</i> operates.	Czech Republic



Wordle Quiz 1 – Answers



1. The most senior decision maker at the top of the organizational hierarchy.
2. The range or collection of goods and/or services produced or sold by a business.
3. Physical products that a business sells, e.g. medical devices.
4. Business model that measures sales over time, from launch to decline.
5. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way.
6. The art of influencing, inspiring and motivating others to accomplish a common goal.
7. The functions of planning, commanding, controlling, coordinating and organising resources to achieve organizational objectives.
8. Private sector businesses that operate primarily for profit.
9. A declaration of an organization's overall goal and its purpose.



Wordle Quiz 1 – Answers

Leadership

Goods

Product portfolio

Commercial enterprises

Chief executive officer

Product life cycle

Management

Mission

Marketing

1. The most senior decision maker at the top of the organizational hierarchy. [Chief Executive Officer](#)
2. The range or collection of goods and/or services produced or sold by a business. [Product portfolio](#)
3. Physical products that a business sells, e.g. medical devices. [Goods](#)
4. Business model that measures sales over time, from launch to decline. [Product life cycle](#)
5. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. [Marketing](#)
6. The art of influencing, inspiring and motivating others to accomplish a common goal. [Leadership](#)
7. The functions of planning, commanding, controlling, coordinating and organising resources to achieve organizational objectives. [Management](#)
8. Private sector businesses that operate primarily for profit. [Commercial enterprises](#)
9. A declaration of an organization's overall goal and its purpose. [Mission](#)



Wordle Quiz 2



1. Senior managers with autonomous decision-making authority.
2. Businesses that buy large quantities of products from a manufacturer for redistribution.
3. An area in a manufacturing facility where production is carried out.
4. The production process of transforming raw materials and/or components into final goods.
5. An aspect of computer science focusing on the ability of smart machines to perform tasks that typically require human intelligence.
6. Individuals and/or other organizations that have a direct interest in a business.
7. The spending of a business organization on acquiring, maintaining and/or upgrading its fixed assets.
8. Process of developing the knowledge and skills of workers.
9. The individuals or organizations that purchase goods or services from a business.



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Wordle Quiz 2 – Answers



1. Senior managers with autonomous decision-making authority. [Executives](#)
2. Businesses that buy large quantities of products from a manufacturer for redistribution. [Wholesalers](#)
3. An area in a manufacturing facility where production is carried out. [Shop floor](#)
4. The production process of transforming raw materials and/or components into final goods. [Manufacturing](#)
5. An aspect of computer science focusing on the ability of smart machines to perform tasks that typically require human intelligence. [Artificial intelligence](#)
6. Individuals and/or other organizations that have a direct interest in a business. [Stakeholders](#)
7. The spending of a business organization on acquiring, maintaining and/or upgrading its fixed assets. [Capital expenditure](#)
8. Process of developing the knowledge and skills of workers. [Training](#)
9. The individuals or organizations that purchase goods or services from a business. [Customers](#)



Wordle Quiz 3

Private limited company

Paternalistic style

Teamwork

Company

Globalization

Vision

Wages

Share capital

Chief Financial Officer

1. The growing integration and interdependence of the world's economies.
2. The long term and ultimate aim or aspiration of an organization.
3. Employees working with fellow colleagues to achieve organizational goals.
4. Senior manager or director with overall responsibility for the organization's finances.
5. An incorporated business owned by shareholders who have limited liability, but whose shares cannot be bought by or sold to the general public.
6. Source of finance, raised by selling shares in a company to shareholders.
7. Time-based payment system frequently used to pay works a fixed amount on an hourly basis.
8. An incorporated business owned by shareholders who have limited liability.
9. A form of leadership involving the treatment of workers as if they were family members, by guiding them through a process of consultation.



Wordle Quiz 3 – Answers

Private limited company

Paternalistic style

Teamwork

Company

Globalization

Vision

Wages

Share capital

Chief Financial Officer

1. The growing integration and interdependence of the world's economies. [Globalization](#)
2. The long term and ultimate aim or aspiration of an organization. [Vision](#)
3. Employees working with fellow colleagues to achieve organizational goals. [Teamwork](#)
4. Senior manager or director with overall responsibility for the organization's finances. [Chief Financial Officer](#)
5. An incorporated business owned by shareholders who have limited liability, but whose shares cannot be bought by or sold to the general public. [Private Limited Company](#)
6. Source of finance, raised by selling shares in a company to shareholders. [Share capital](#)
7. Time-based payment system frequently used to pay works a fixed amount on an hourly basis. [Wages](#)
8. An incorporated business owned by shareholders who have limited liability. [Company](#)
9. A form of leadership involving the treatment of workers as if they were family members, by guiding them through a process of consultation. [Paternalistic style](#)



Wordle Quiz 4



1. Tall organization structures, with many levels of rankings in the organization.
2. The commercial development, adoption and exploitation of an invention or creative idea.
3. The responsible behaviour of a business towards its stakeholders, local communities and the natural environment.
4. An internal stakeholder, these are the people who work for an organization.
5. Interest-bearing, external source of finance.
6. A long-term plan to ensure that the labour force has the correct skills and expertise to carry out its role within the business, in order to meet its organizational goals.
7. The way in which a business wants its products to be perceived by the consumers.
8. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way.
9. Private sector ownership of assets and enterprises, rather than government owned.



Wordle Quiz 4 – Answers



1. Tall organization structures, with many levels of rankings in the organization. [Hierarchical](#)
2. The commercial development, adoption and exploitation of an invention or creative idea. [Innovation](#)
3. The responsible behaviour of a business towards its stakeholders, local communities and the natural environment. [Corporate social responsibility](#)
4. An internal stakeholder, these are the people who work for an organization. [Employees](#)
5. Interest-bearing, external source of finance. [Loan capital](#)
6. A long-term plan to ensure that the labour force has the correct skills and expertise to carry out its role within the business, in order to meet its organizational goals. [Human resource plan](#)
7. The way in which a business wants its products to be perceived by the consumers. [Brand identity](#)
8. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. [Marketing](#)
9. Private sector ownership of assets and enterprises, rather than government owned. [Privately-owned](#)



Wordle Quiz 5

Marketing strategy
Products Services
Big data Nationalized
Mass produced
Business Communication
Trade relations

1. The purchase of private sector possessions and enterprises by the government.
2. A decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of customers.
3. Intangible products provided by a business organization.
4. The terms and conditions of international trade between two or more countries.
5. A good or service, sold on the market to satisfy the needs and wants of customers.
6. Output which relies on capital equipment and automation to manufacture goods on a large scale, on a continual basis.
7. The transfer of information from one party to another.
8. Extremely large volumes of information sets, which may or may not be structured.
9. The management process of formulating a firm's marketing goals and activities to achieve these objectives.



Wordle Quiz 5 – Answers

Marketing strategy
Products Services
Big data Nationalized
Mass produced
Business Communication
Trade relations

1. The purchase of private sector possessions and enterprises by the government. [Nationalized](#)
2. A decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of customers. [Business](#)
3. Intangible products provided by a business organization. [Services](#)
4. The terms and conditions of international trade between two or more countries. [Trade relations](#)
5. A good or service, sold on the market to satisfy the needs and wants of customers. [Products](#)
6. Output which relies on capital equipment and automation to manufacture goods on a large scale, on a continual basis. [Mass produced](#)
7. The transfer of information from one party to another. [Communication](#)
8. Extremely large volumes of information sets, which may or may not be structured. [Big data](#)
9. The management process of formulating a firm's marketing goals and activities to achieve these objectives. [Marketing strategy](#)



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SWOT Analysis for Radeki de Dovnic Manufacturing (RDM)

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 into **opportunities** or **threats**, as outlined in the case study.

Strengths

- As *RDM* is 100% owned by the Radeki de Dovnic family (line 1), Jan and his relatives maintain control and ownership of the company
- Having been founded in 1873 (line 2), *RDM* is well established, celebrating its 146th anniversary in 2019
- *RDM*'s highly integrated and automated production process (line 56 – 59) enables it to produce high quality products at competitive prices (line 107)
- Customer orientated, with engineers reviewing each customer's specification (line 36) and suggesting ways to improve the design (line 38)
- Highly trained engineers monitor the highly automated production processes (line 46) as part of the quality assurance process at *RDM*
- *RDM*'s integrated technologies enable it to mass customize other products (not just healthcare devices), such as the 500 aluminium water bottles ordered by a large medical customer for its employees (lines 60 – 69)
- There is a culture of innovation (line 91) in both *RDM*'s products and processes (line 94), which has been fostered by Jan Radeki de Dovnic's democratic leadership style (line 89)
- Jan Radeki de Dovnic fosters an atmosphere that is "conducive to creativity, with heavy emphasis on teamwork, diversity, humour and fun" (lines 94 – 95), which the employees tend to "love" (lines 95 – 96), and this has produced positive results for *RDM* (lines 96 – 97)
- *RDM* has a strong sense of corporate social responsibility (line 99) and a full programme of CSR (lines 102 – 103), which gives it a positive corporate image and competitive advantages
- *RDM* can generally offer competitive prices to customers within a 700-kilometre radius of Lobjanec, including those in Germany (lines 106 – 107)
- The company makes good (quality) products at competitive prices (line 125)
- *RDM* is responsive to the needs of its customers (line 125)
- The company currently enjoys healthy profits (line 126).



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Weaknesses

- The costing of products (line 47) and delivery (line 48) are yet to be automated; the costing is 'old fashioned' (line 48) whilst the delivery using human drivers (line 49) is expensive in the long run
- Despite having a democratic leadership style (line 89), Jan Radeki de Dovnic and *RDM's* relationship with stakeholders has profoundly changed due to its highly automated production processes (line 73)
- There has been a steady decline in the number of employees at *RDM*, resulting in the company having less of an influence in the community (lines 80 – 81)
- It is costly in the long run to hire highly trained engineers and computer experts to manage the automated production processes at *RDM* (lines 77 – 78)
- There is a culture gap between the workers who survived WWII and Communist rule (line 79) and the highly trained engineers and computer experts who have different attitudes, aspirations and motivations (lines 77 – 78)
- As design changes for *RDM's* healthcare products come with almost every order (lines 86 – 87), this can be costly for the company
- Some employees have complained Jan Radeki de Dovnic's approach and emphasis on creating a culture of innovation mean that there is insufficient guidance and sometimes a lack of focus (lines 97 – 98)
- *RDM* does not have a marketing strategy (line 119)
- The company does not have a corporate strategy beyond a vision in Jan Radeki de Dovnic's mind (line 121), and there is no written strategic plan (line 122)
- *RDM* has a weak brand identity (line 123)
- *RDM's* brand name is outdated (line 123)
- The company does not have a written declaration of its vision or mission (lines 123 – 124)
- *RDM* does not have a human resource plan or an operations management strategy (line 124).



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Opportunities

- With ageing populations in high-income countries such as the Czech Republic, Austria, Poland and Germany, there are business opportunities for *RDM* to cater to a larger market for its healthcare devices
- The Czech economy has fared well (line 16), Prague attracts a huge number of tourists to the country (line 19), and trade relations with Germany are good (lines 19 – 20), thus providing many business opportunities for *RDM*
- With IT infrastructure ranked among the best in the world (line 22), there could be many more e-commerce opportunities for *RDM*
- *RDM* is not restricted to the manufacturing of healthcare devices due to its integration of technologies (lines 60 – 61), so there are opportunities to manufacture other products (line 62), including (more) aluminum water bottles
- The manufacture of customized aluminium water bottles could become a distinct division of *RDM* (lines 71 – 72), creating additional revenue streams for the company
- Being a member state of the European Union, *RDM* can continue to recruit engineers from universities across Europe due to the free movement of labour within the EU (lines 82 – 83)
- Maintaining a full programme of CSR (lines 102 – 103), such as paying workers fair wages and having a strong emphasis of care for the environment (line 104) can help *RDM* to attract more customers
- Access to neighbouring Poland can provide cost advantages due to competitive delivery charges (see Appendix 2); improved access to Austria and Slovakia in the future could also bring about more business opportunities for *RDM*
- Building an additional production facility elsewhere in Europe may enable *RDM* to access more lucrative markets, including Scandinavia, the Netherlands, Belgium, France and northern Italy (lines 109 – 113)
- Going public (line 117) can enable *RDM* to raise sufficient finance to expand its operations beyond its current markets and extend its market area (line 113).





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Threats

- The Czech Republic, and hence *RDM*, is not immune to broader economic trends in Europe (line 15); with the huge uncertainties caused by [Brexit](#) and the [Yellow Vest protests](#) in France, many businesses are likely to be hit by such turbulent times in the EU
- The potential threat to *RDM*'s competitiveness and profitability from Asian manufacturers who present fierce competition (line 52) as they may have lower costs structures
- Globalization and fierce competition from manufacturers in Asia (line 52) can threaten the price competitiveness of *RDM*'s products (even with its highly automated manufacturing processes)
- Delivery costs beyond the 700-kilometre range (lines 107 – 108) mean that *RDM* may not be competitive to clients in potentially lucrative markets such as Scandinavia, the Netherlands, Belgium, France and northern Italy (lines 108 – 100).

Exam Tip!

SWOT analysis is not a simple list of points categorized as strengths, weaknesses, opportunities and threats. *It is vital that you explain or justify your arguments.* For example, why is the absence of a marketing strategy or not having a written mission statement considered to be a weakness for *RDM*?

The above example of a SWOT analysis for *RDM*, produced in bullet point format, is for illustrative purposes only – and to aid your revision. Remember, what one student might regard as a strength for *RDM* (such as making bespoke, high quality products) could equally be deemed as a weakness by other students (due to the high costs associated with customized production). The important thing is to justify your arguments.



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PEST analysis for RDM

The Business Management syllabus refers to STEEPLE analysis (social, technological, economic, environmental, political, legal and ethical). In this particular analysis for *RDM*, 'environmental' and 'ethical' factors are covered under the section on 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

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

Political (including legal factors)

- The Czech Republic, and hence *RDM*, is not immune to broader economic trends in Europe (line 15) – with the huge uncertainties caused by [Brexit](#) and the turmoil of the [Yellow Vest protests](#) in France, many businesses are likely to be hit by such turbulent times in the EU
- *RDM* operates in an economically developed country (see Factsheet) within the European Union, so this may foster further growth of the business (lines 82 – 83)
- Legal considerations of changing *RDM* from a private to a public limited company, should it choose to 'go public' (line 117)
- Being a member state of the European Union, *RDM* can continue to recruit engineers from universities across Europe due to the free movement of labour within the EU (lines 82 – 83).

Economic

- The potential threat to *RDM's* competitiveness and profitability from Asian manufacturers who present fierce competition (line 52) as they may have lower costs structures
- Fierce competition from Asian manufacturers (line 52) could also undermine *RDM's* position in the market for customized healthcare devices
- Globalization and the intense competition from manufacturers in Asia (line 52) can both threaten the price competitiveness of *RDM's* products (even with its highly automated manufacturing processes)
- Opportunities for *RDM* to operate on a larger scale in potentially lucrative markets, such as markets as Scandinavia, the Netherlands, Belgium, France and northern Italy (line 108 – 110)
- The expansion in potentially lucrative markets (line 111) may also help to improve *RDM's* competitiveness and profitability



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- Business growth (line 111) also provides opportunities for *RDM*, in terms of sales revenues, profit, and market share
- The possibility of converting *RDM* to a public limited company (line 117) can help to raise necessary share capital in order to expand the business to new markets (line 113)
- The Czech economy has fared well (line 16), especially with Prague attracting a huge number of tourists to the country (line 19), and good trade relations with Germany (lines 19 – 20); which all help to provide many business opportunities for *RDM*.

Social (including environmental and ethical factors)

- With ageing populations in high-income countries such as the Czech Republic and Germany, there are business opportunities for *RDM* to cater to new and larger markets for its healthcare devices
- Strengthening relationships with stakeholders (line 73) and the local community where it once had a profound presence (lines 74 – 75) can provide new business opportunities for *RDM*, such as partnerships with the vocational school (line 81)
- Delivery costs beyond the 700-kilometre radius from Lobjanec (lines 107 – 108) mean that *RDM* may not be price competitive in potentially lucrative markets such as Scandinavia, the Netherlands, Belgium, France and northern Italy (lines 108 – 100)
- Access to potential customers in Poland, a neighbouring country near the city of Lobjanec, can provide cost advantages due to competitive delivery charges (see Appendix 2)
- Maintaining a full programme of CSR (lines 102 – 103), such as paying workers fair wages and having a strong emphasis of care for the environment (line 104) can help *RDM* to attract more customers, and potential investors if the company decides to 'go public'.

Technological

- With its existing highly automated manufacturing processes, the production of customized aluminium water bottles could become a distinct division of *RDM* (lines 71 – 72), creating additional revenue streams for the company
- With the country's IT infrastructure being ranked among the best in the world (line 22), there could be many more e-commerce opportunities for *RDM*; it may be possible for the business to make better use of e-commerce in order to reach more customers in other EU countries or even possibly on a global scale
- *RDM* is not restricted to the manufacturing of healthcare devices because of its integration of highly automated technologies (lines 60 – 61), so there are opportunities to manufacture other products (line 62)



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- Building an additional production facility elsewhere in Europe may enable *RDM* to access more lucrative markets, including Scandinavia, the Netherlands, Belgium, France and northern Italy (lines 109 – 113).

Exam Tip!

STEEPLE analysis is not a simple list of external opportunities and threats categorised in a PEST framework. *It is vital that you explain or justify your arguments.* For example, why would the possibility of opportunities for *RDM* to expand its production facilities elsewhere in Europe (line 112) be considered an economic factor?

The above example of a PEST analysis for *RDM*, produced in bullet point format, is for illustrative purposes only. Remember, what one student might regard as an economic factor for the organization could equally be deemed as a social or even political factor by other students. The important thing is to justify your reasoning.



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Exam-style questions – Worksheet 1

1. Define the term *corporate social responsibility* (line 99). [2]

.....
.....

2. Explain **two** key functions of management (line 4). [4]

.....
.....
.....
.....
.....

3. Explain the importance of leadership at *RDM*. [4]

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.....

4. Explain **two** roles of a mission statement (lines 123 – 124). [4]

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.....

5. Explain **one** advantage for *RDM* of implementing a project-based organizational structure. [4]

.....
.....
.....
.....



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Exam-style questions – Worksheet 1 (Answers)

1. Define the term *corporate social responsibility* (line 99). [2]

CSR is a set of internal policies designed to demonstrate a firm's commitment to its internal and external stakeholders, by focusing on the well-being of all stakeholder groups, such as executives, employees, shareholders and the local community.
2. Explain **two** key functions of management (line 4). [4]
 - setting organizational objectives
 - organizational planning
 - managing human and physical resources to meet organizational objectives
 - directing and motivating staff
 - coordinating operational activities
 - controlling and measuring performance.
3. Explain the importance of leadership at *RDM*. [4]
 - To inspire and influence others to achieve organizational goals – In order to get the best out of *RDM's* employees, strong leadership is needed to motivate them and earn their respect, trust and loyalty, especially those who have worked at *RDM* for a long time under different leaders
 - To create a sense of purpose and strategic direction – Without effective leadership, *RDM* cannot achieve its aims, especially as it faces changes and challenges (such as competition from Asian manufacturers); it is vital that the CEO plans effectively and initiates action to achieve *RDM's* organizational goals
 - To coordinate business operations – As the most senior leader, Jan Radeki de Dovnic oversees and coordinates the strategic direction of the business, including delegating responsibilities to senior executives whilst maintaining overall responsibility for the outcomes of *RDM*
 - Improved communication so employees are clear about the purpose of strategic and tactical decisions made by the executive board at *RDM*
 - To shape the organizational culture – Jan Radeki de Dovnic's leadership style will ultimately determine the organizational culture at *RDM*, thereby affecting its daily operations, productivity and corporate image
 - To achieve corporate success – Ultimately, strong leadership builds employee morale and raises productivity, which will have a favourable impact on the *RDM's* long term profitability.
4. Explain **two** roles of a mission statement (lines 123 – 124). [4]
 - Communicate to stakeholders the purpose of *RDM's* existence
 - Guide the organization's aims and objectives
 - Provide a sense of drive (motivation) and direction for executive, engineers, computer experts and other employees at *RDM*.
5. Explain **one** advantage for *RDM* of implementing a project-based organizational structure. [4]
 - Improved communication between workers from different areas (departments)
 - Gain from the broader range of skills and expertise of people across the organization
 - Improved sense of teamwork, which can increase motivation and productivity at *RDM*.



For May 2019 examinations

Exam-style questions – Worksheet 2

1. Define the term *vision* (line 123). [2]

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2. In the context of *RDM*, explain the meaning of capital expenditure (line 54). [2]

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3. Explain why it is important that *RDM* generates new revenue streams. [4]

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4. Explain the importance of a human resources plan (line 124) for *RDM*. [4]

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5. With reference to *RDM*, describe **two** benefits of having a marketing plan. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 2 (Answers)

1. Define the term *vision* (line 123).

The vision of a business is a written declaration of where the organization aspires to be in the future, i.e. it is the overall long-term goal of the business. Having a vision gives the organization and its internal stakeholders a clear sense of purpose.

2. In the context of *RDM*, explain the meaning of capital expenditure (line 54). [2]

- Capital expenditure refers to spending by *RDM* on acquiring, maintaining and/or upgrading its fixed assets, e.g. machinery, equipment and robots.
- It is a financial investment in the organization, e.g. investment in highly integrated and automated production facility to manufacture the healthcare devices.

3. Explain why it is important that *RDM* generates new revenue streams. [4]

- Increased sales revenue, beyond the sale of healthcare devices, and to earn more profit
- To remain competitive, innovative and sustainable by securing new revenue streams, such as the sale of aluminium water bottles (line 64)
- To motivate employees and keep shareholders contented.

4. Explain the importance of a human resources plan (line 124) for *RDM*. [4]

Human resource planning refers to the forecasting of *RDM's* future human resource needs. It enables the organization to plan ahead, e.g. identifying the required skills and knowledge of the labour force (such as the number of engineers and computer experts) in order to help *RDM* to meet its strategic goals. It also involves planning *RDM's* current and future recruitment and training needs.

5. With reference to *RDM*, describe **two** benefits of having a marketing plan. [4]

Possible benefits of having a marketing plan include:

- providing a framework for the introduction of a new product to the market; this is particularly useful for *RDM* as it currently only focuses on medical devices
- helping to develop appropriate marketing objectives/targets, which can be particularly beneficial if *RDM* lacks marketing experience
- helping with marketing budgets, which is particularly important if the business doesn't have a marketing strategy (line 119), even if it is profitable (line 126)
- helping with decision making about *RDM's* marketing strategies
- keeping shareholders and other stakeholders informed about *RDM's* operations and corporate strategies, especially as there isn't a formalised or written marketing strategy.



For May 2019 examinations

Exam-style questions – Worksheet 3

1. Describe the purpose of a *mission* (line 123). [2]

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2. State **two** stages in the *product life cycle* (line 4). [2]

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3. Describe one feature of a *wholesaler* (line 52). [2]

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4. Describe the time rate method of paying wages (line 104) to *RDM's* employees. [2]

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5. Explain how the motivation of the engineers and computer experts differs from those who survived the Second World War and experienced Communist rule (lines 77 – 79). [4]

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For May 2019 examinations

Exam-style questions – Worksheet 3

1. Describe the purpose of a *mission* (line 123). [2]

Possible answers include:

- To show/state *RDM's* core values/aims/purpose
- To direct/guide and motivate the executives, engineers, computer experts and other employees at *RDM*
- To address the interest and needs of various stakeholder groups (such as employees and the shareholders, i.e. Radeki de Dovnic family) and external stakeholders (such as suppliers and the government).

2. State **two** stages in the *product life cycle* (line 4). [2]

- Introduction
- Growth
- Maturity (or Saturation)
- Decline
- Withdrawal

3. Describe one feature of a *wholesaler* (line 52). [2]

- An intermediary in the distribution channel that breaks large quantities (bulk) of products into small quantities for sale by retailers
- Acts as an intermediary between the manufacturers (*RDM* when they mass produced stoves) and retailers
- Enjoys significant purchasing and marketing economies of scale as they purchase goods in very large quantities direct from producers
- Tends to only purchase a few types and/or brands of a particular product
- Helps to improve the efficiency of the supply chain / distribution of goods.

4. Describe the time rate method of paying wages (line 104) to *RDM's* employees. [4]

Wages are a financial payment system that remunerates employees based on the duration of time that they work.

5. Explain how the motivation of the engineers and computer experts differs from those who survived the Second World War and experienced Communist rule (lines 77 – 79). [4]

- D.H. Pink's theory of autonomy, mastery and purpose is more applicable to the skilled engineers and computer experts at *RDM*
- Maslow's physiological (basic) needs and Taylor's scientific management theories of motivation are more applicable to the less skilled factory workers who once mass produced stoves at *RDM*.



For May 2019 examinations

Exam-style questions – Worksheet 4

1. Define the term *mission statement* (line 123). [2]

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2. Define the term *location* (line 106). [2]

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3. Describe the role of an entrepreneur such as Jan Radeki de Dovnic. [2]

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4. Outline **two** features of a private limited company (line 117) as a form of business ownership. [4]

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5. Explain the importance of branding (line 123) for *RDM*. [6]

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For May 2019 examinations

Exam-style questions – Worksheet 4 (Answers)

1. Define the term *mission statement* (line 123). [2]
 - A statement of the purpose of an organization
 - Typically indicates what makes the organization unique
 - The mission statement often shapes the organization's values statement (its core beliefs)

2. Define the term *location* (line 106). [2]

Location refers to the geographical position or site of an organization or its production facilities. It can have profound implications on the profitability and survival of the business.

3. Describe the role of an entrepreneur such as Jan Radeki de Dovnic. [2]
 - Someone who bears the financial risks of overseeing and running a commercial business, in return for the possible reward of profits
 - Someone who develops new ideas or find a new way of offering an existing product to the market
 - Has responsibility for strategic decision making in the organization.

4. Outline two features of a private limited company (line 117) as a form of business ownership. [4]
 - Shares in a private limited company such as *RDM* cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders such as Jan Radeki de Dovnic
 - Shareholders have limited liability, i.e. they cannot lose more than the value of their investment in the company, if it defaults
 - The company should be able to raise more capital than a sole trader or partnership, as it has greater access to capital markets and investors
 - The company needs to prepare and publish its final accounts – this is a legal requirement and the accounts need to be checked and audited (approved) by an independent chartered accountant
 - The company must have at least one shareholder and director (who can be the same person), plus a company secretary (who does not have to be a shareholder).

5. Explain the importance of branding (line 123) for *RDM*. [6]
 - An appropriate brand is needed to meet the expectations of the target market
 - Brand association can have a direct impact on sales
 - Branding helps to differentiate a product from rival ones on the market, and can give it a unique identity
 - Brand recognition can help to increase sales, especially in international markets
 - It can enable *RDM* to charge premium prices for its devices, enabling the firm to benefit from greater profit margins
 - Successful branding can create barriers to entry for other producers, thus benefiting *RDM*
 - Effective brand management helps to lengthen a product's life cycle.



For May 2019 examinations

Exam-style questions – Worksheet 5

1. Describe the purpose of a *vision* (lines 122 – 123). [2]

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2. *RDM* is a private limited company (line 117). Distinguish between privately and publicly owned companies (line 117). [4]

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3. Explain **two** reasons why *RDM's* corporate objectives might have changed over time. [4]

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4. Describe **two** driving forces that have influenced changes at *RDM*. [4]

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5. Explain the importance of having a mission statement (line 123) for *RDM*. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 5 (Answers)

1. Describe the purpose of a *vision* (lines 122 – 123). [2]
 - It describes what the owners or founders want the organization to ultimately achieve in the future
 - It provides the focus for an organization's strategic direction.
2. *RDM* is a private limited company (line 117). Distinguish between privately and publicly owned companies (line 117). [4]
 - A privately owned company (Ltd.) is a limited liability corporation that cannot raise share capital from the general public via a stock exchange. Instead, shares in *RDM* can only be sold to private family members and friends. The shares of *RDM* cannot be traded without the prior agreement from the existing shareholders, such as Jan Radeki de Dovnic. This makes it significantly easier to maintain overall control of the family business.
 - By contrast, a publicly owned company (PLC) is a limited liability company that is able to advertise and sell its shares to the general public via a stock exchange. In general, there is a greater divorce of ownership and control in publicly owned companies.
3. Explain **two** reasons why *RDM's* corporate objectives might have changed over time. [4]
 - *RDM* may have repositioned itself to create a new brand image (of selling bespoke healthcare devices, not stoves)
 - *RDM* has launched different products, from stoves to medical devices and aluminium water bottles; so its target markets and hence corporate objectives have changed
 - Changes in fashion and trends, such as the end of the life cycle for its stoves
 - New business opportunities, such as the production of aluminium water bottles
 - External influences, such as globalization and competition from Asian manufacturers (so *RDM* has needed to evolve and adapt to the world around it).
4. Describe **two** driving forces that have influenced changes at *RDM*. [4]
 - Demographic changes, e.g. ageing population of the baby boomer generation (line 12)
 - Technological progress, e.g. automation (line 34)
 - Societal expectations, e.g. CSR (line 99)
 - External influences, e.g. changes in political regimes (lines 5 – 8).
5. Explain the importance of having a mission statement (line 123) for *RDM*. [4]
 - Makes it clear to all stakeholder groups what *RDM* really exists for; at present this is not clear, so *RDM* may simply be perceived as any another commercial manufacturer
 - Guide the setting of the organization's aims and objectives
 - Provide a sense of drive (motivation) and direction for its executives, managers and employees.



For May 2019 examinations

Exam-style questions – Worksheet 6

1. In the context of business functions, define the term *marketing* (line 40). [2]

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2. Jan Radeki de Dovnic is an entrepreneur. Define the term *entrepreneur*. [2]

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3. Define the term *hierarchical* (line 85). [2]

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4. Apart from recruiting engineers from universities (line 83), describe **two** methods of recruitment that *RDM* may have used to appoint its engineers. [4]

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5. Explain the likely interests of *RDM*'s employees. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 6 (Answers)

1. In the context of business functions, define the term *marketing* (line 40). [2]

The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way.

2. Jan Radeki de Dovnic is an entrepreneur. Define the term *entrepreneur*. [2]

An entrepreneur bears the financial risks of managing/overseeing a business or a commercial venture. Entrepreneurs organize factors of production to produce goods and/or services and assume the risks and rewards of running the business. Jan Radeki de Dovnic is the CEO of *RDM*, so has the traits of an entrepreneur.

3. Define the term *hierarchical* (line 85). [2]

A tall (or hierarchical) structure is a method of formally organizing a firm's human resources with many layers (or levels) of management and supervision.

4. Apart from recruiting engineers from universities (line 83), describe **two** methods of recruitment that *RDM* may have used to appoint its engineers. [4]

- Recruitment agencies who help to find suitable engineers for job vacancies at *RDM*
- Job advertisements, leading to formal applications and interviews
- Headhunting, as *RDM* may know of suitable engineers working at rival companies
- Personal recommendations, i.e. word of mouth referrals from existing *RDM* personnel
- Internal recruitment, e.g. promotion of engineers already working at *RDM*.

5. Explain the likely interests of *RDM*'s employees. [4]

- Fair wages (line 104) and salaries; not all workers at *RDM* are highly skilled engineers or computer experts and many will be motivated by financial rewards
- Improved fringe benefits and working conditions
- Job security (such as employment contracts)
- Input into decision-making at *RDM*
- The right to belong to a labour union (line 51).



For May 2019 examinations

Exam-style questions – Worksheet 7

1. Define the term *customized products* (line 58). [2]

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2. Define the term *leadership* (line 89). [2]

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3. Explain the difference between loan capital and share capital (lines 115 – 116). [4]

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4. With reference to Daniel H. Pink’s motivation theory, explain how autonomy can motivate the highly trained engineers (lines 46 and 77) at *RDM*. [4]

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5. Explain **two** reasons why branding is important for *RDM*. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 7 (Answers)

1. Define the term *customized products* (line 58). [2]

Customized products are made using job production, i.e. manufacturing unique or one-off orders, such as *RDM's* bespoke healthcare devices.
2. Define the term *leadership* (line 89). [2]

The art of influencing, inspiring and motivating others to accomplish a common goal. Leadership plays a key role in an organization and involves setting a clear vision and direction for others to follow.
3. Explain the difference between loan capital and share capital (lines 115 – 116). [4]
 - Loan capital is an external source of finance that incurs interest charges, i.e. it refers to interest-bearing capital, e.g. overdrafts, bank loans, debentures and mortgages
 - Share capital can be an internal source of finance, raised by issuing (selling) more shares to existing shareholders; there are no interest charges, but this method dilutes ownership and control of the company.
4. With reference to Daniel H. Pink's motivation theory, explain how autonomy can motivate the highly trained engineers (lines 46 and 77) at *RDM*. [4]
 - Pink's motivation theory identifies three drivers that affect a person's level of motivation: autonomy, mastery and purpose
 - Autonomy means that Jan Radeki de Dovnic empowers the highly trained engineers to work independently on their projects, with no or minimal interference from the CEO himself
 - Autonomy allows the empowered engineers to make their own decisions about how best to manufacture the healthcare devices for their customers
 - It can motivate the engineers, as they feel empowered and trusted by the CEO.
5. Explain **two** reasons why branding is important for *RDM*. [4]
 - Branding has an important role in creating awareness of *RDM* and its products (healthcare medical devices)
 - Having a stronger brand will give *RDM* improved brand recognition and customer loyalty, in the medium to long term
 - It helps to differentiate *RDM* from other European and Asian rivals in the industry
 - Successful branding can increase *RDM's* sales revenue, market share and profitability
 - Successful branding can also create barriers to entry for other producers, thus benefiting *RDM* in the long term.



For May 2019 examinations

Exam-style questions – Worksheet 8

1. Outline the role of a chief financial officer (CFO) (line 111). [2]

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2. Explain how paying fair wages (line 104) is an example of corporate social responsibility (CSR). [4]

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3. Explain **two** appropriate sources of finance for the additional production facility (line 112), should the CFO’s proposal be implemented. [4]

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4. Explain **two** advantages of *RDM* being a private limited company (line 117). [4]

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5. Describe **two** features of hierarchical structures (line 85). [4]

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For May 2019 examinations

Exam-style questions – Worksheet 8 (Answers)

1. Explain the role of a chief financial officer (CFO) (line 111). [4]
 - The CFO is a senior executive with overall responsibility for the organization's finances.
 - The CFO's roles and responsibilities includes the management of *RDM's* financial planning, master budgets, record-keeping, and financial reporting.
 - Being a member of the executive team, the CFO is involved in strategic decision making, e.g. *RDM's* CFO has suggested that the company should build an additional production facility elsewhere in Europe to cater for a larger market.

2. Explain how paying fair wages (line 104) is an example of corporate social responsibility. [4]

CSR is about businesses acting in a socially responsible or morally acceptable way towards their various stakeholder groups. Paying employees a fair wage (i.e. commensurate to the work they do and what competitors pay their own employees) is deemed to be respectful and fair to *RDM's* workforce.

3. Explain **two** appropriate sources of finance for the additional production facility (line 112), should the CFO's proposal be implemented. [2]
 - Long term loans or mortgages
 - Share capital, via the issuance of new shares to members of the Radeki de Dovnic family
 - Becoming a publically listed company (PLC), thereby raising additional funds
 - The issuance of debentures (although *RDM* might struggle to attract buyers for their debentures)
 - Accumulated retained profits, as *RDM* enjoys healthy profits (although this might not be enough for the expensive expansion plans)
 - *Do not accept any form of short-term finance, such as overdrafts.*

4. Explain **two** advantages of *RDM* being a private limited company (line 117). [4]
 - Shareholders of *RDM*, as the owners of the business, have limited liability, so cannot lose more than they have invested in the company if the business fails
 - Selling shares to friends and family can raise additional funds at a later date for the expansion of *RDM*
 - The Radeki de Dovnic family will not lose control of the company as shares can only be sold (to friends and family) with the prior approval of the owners (*RDM* is wholly owned by the Radeki de Dovnic family)
 - It is typically less costly and quicker to set up than a public limited company (PLC), which requires its shares to be publicly listed on a stock exchange.

5. Describe **two** features of hierarchical structures (line 85). [4]
 - There are longer chains of command than in flatter (less hierarchical) organizations
 - A hierarchical structure reduces the direct span of control (as there are more managers hired)
 - Offers more opportunities for job promotions within the organization (as there are more layers, or levels, of managers).



For May 2019 examinations

Exam-style questions – Worksheet 9

1. Define the term *paternalistic leader* (line 101). [2]

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2. Define the term *innovation* (line 91). [2]

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3. Outline the meaning of an organization being “state owned” (line 8). [2]

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4. Explain **two** disadvantages of *RDM* being a private limited company (line 117). [4]

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5. Describe **two** likely influences on *RDM*'s organizational culture. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 9 (Answers)

1. Define the term *paternalistic leader* (line 101). [2]

A paternalistic leader is someone who treats employees as if they were family members, by guiding and consulting them. The leader has extensive authority over employees but decisions are made which s/he believes are in the best interest of the workforce. Kristián Radeki de Dovnic was described as a paternalistic leader at *RDM*.
2. Define the term *innovation* (line 91). [2]

The commercial development, adoption and exploitation of an invention or creative idea that appeals to customers in a profitable way for the business, e.g. e.g. *RDM*'s ergonomically designed medical devices. It can give any business a huge competitive advantage, so Jan Radeki de Dovnic has tried to create an environment that fosters innovation at *RDM*.
3. Outline the meaning of an organization being “state owned” (line 8). [4]

Refers to organizations in the public sector, i.e. goods and services that are provided by the government. Following communist rule in Czechoslovakia in 1949, *RDM* was nationalized, i.e. it became state owned.
4. Explain **two** disadvantages of *RDM* being a private limited company (line 117). [4]
 - Private limited companies (Ltd.) cannot sell their shares on a stock exchange, so this can limit *RDM*'s ability to raise share capital compared with being a public limited company
 - If the organization is profitable, dividends need to be distributed to shareholders, so this may reduce the company's retained profit (this currently happens at *RDM*, despite it being a family-owned business)
 - External stakeholders can gain access to financial information of all limited liability companies, so *RDM*'s business affairs are not private.
5. Describe **two** likely influences on *RDM*'s organizational culture. [4]
 - The leadership style of the organization, e.g. Jan Radeki de Dovnic likes to foster a culture of innovation (line 91) and creativity (line 94) in a democratic way (line 89)
 - The organizational structure at *RDM*, which now has a much smaller number of employees so is less hierarchical (line 85)
 - The decision-making process, e.g. democratic decision-making by Jan Radeki de Dovnic, whereas the previous CEO preferred a paternalistic leadership style (line 89)
 - The personalities, attitudes, outlook and beliefs of the employees at *RDM*, most of whom love (line 95) the environment at *RDM*
 - The history and background of the organization, e.g. *RDM*'s long held caring and paternalistic attitude towards workers (lines 101 – 102)
 - The national culture of the Czech Republic can also influence the organizational culture at *RDM*.



For May 2019 examinations

Exam-style questions – Worksheet 10

1. Define the term *human resources plan* (line 124). [2]

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2. Describe **one** benefit for *RDM* of having a good corporate social responsibility programme (lines 102 – 104). [2]

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3. Outline **two** features of a public limited company if *RDM* were to 'go public' (line 117). [4]

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4. Explain **two** objectives of for-profit organizations, such as *RDM*. [4]

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5. *RDM* makes good products (line 125). Explain **two** benefits for *RDM* of meeting quality standards. [4]

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For May 2019 examinations

Exam-style questions – Worksheet 10

1. Define the term *human resources plan* (line 124). [2]

The forecast of an organization's requirements for human resources, such as recruitment and training needs, in order to meet its strategic goals.

2. Describe **one** benefit for *RDM* of having a good CSR programme (lines 102 – 104). [2]

- Raises brand awareness of *RDM*; behaving in a socially responsible way can help to raise the awareness and profile of the organization, thereby possibly attracting a wider customer base
- Enhancing *RDM*'s corporate image, as being socially responsible is generally perceived as ethical and therefore more favourable or appealing to its various stakeholder groups
- Improving customer loyalty, as *RDM* is perceived by the public to be socially responsible, so customers are more likely to support it
- Today, there is ever greater public awareness and support of CSR, especially with the power of social media.

3. Outline **two** features of a public limited company if *RDM* were to 'go public' (line 117). [4]

- *RDM*'s shares can be bought by the general public, i.e. any individual or institution can be an investor in the company
- The company is able to raise more finance as it has greater access to capital markets and investors
- Shareholders have part ownership of the company, so have voting rights and are entitled to any dividends distributed by the company; whilst this currently exists, the arrangements for voting rights and distribution of dividends are different and more complex for public limited companies
- The company's final accounts must be independently audited and published, i.e. the final accounts become public information.

4. Explain **two** objectives of for-profit organizations, such as *RDM*. [4]

Possible objectives could include an explanation of:

- Increased market share
- Higher sales revenues / profit maximization
- Growth (line 111), expansion (line 115) and evolution
- Improved corporate image
- Corporate social responsibility (line 99).

5. *RDM* makes good products (line 125). Explain **two** benefits for *RDM* of meeting quality standards. [4]

- Customers regard quality as important because sub-standard output can be harmful/damaging, especially in the healthcare industry
- Customers would be more willing to purchase *RDM*'s healthcare devices, helping to attract new customers and retaining existing ones
- Compliance with quality standards shows that *RDM* manufactures products that are fit for purpose and are approved by authorities in the Czech Republic and the European Union
- It makes *RDM* more competitive and able to compete in more markets, especially in the face of globalization and competition from Asian manufacturers (line 52)
- It can improve staff motivation and morale, especially as the engineers, marketers and computer experts are included in the quality assurance process.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Standard Level Mock Examination

Paper 1

Radeki de Dovnic Manufacturing (RDM)



For May 2019 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 *Radeki de Dovnic Manufacturing (RDM)* case study for this examination paper
- 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

SECTION A

Answer **two** questions from this section.

1. (a) With reference to *RDM*, describe **two** benefits of having a marketing strategy (line 119). [4 marks]
- (b) With reference to *RDM*, explain the purpose of vision and mission statements (line 123). [6 marks]
2. (a) *RDM* has a weak brand identity (line 123). Explain **two** benefits of having a strong brand. [4 marks]
- (b) With reference to Jan Radeki de Dovnic, explain the importance of leadership in business organizations. [6 marks]
3. (a) Define the following terms:
- (i) *corporate social responsibility* (line 99) [2 marks]
- (ii) *human resources plan* (line 124). [2 marks]
- (b) Using a SWOT analysis framework, explain the strengths and weaknesses of *RDM*. [6 marks]

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

SECTION B

Answer **the** following question.

4. Jan Radeki de Dovnic has asked his executives to investigate the feasibility of a separate division of *RDM* to batch produce aluminium water bottles. The CFO has provided some additional information for the executives to consider.

The total capital expenditure required for the project is expected to cost €300,000. The CFO expects the new division of *RDM* to generate annual **net cash flows** of €60,000. The estimated useful life of the machinery for the production of aluminium water bottles is 12 years, with no scrap value. The executive board at *RDM* would like an average rate of return (ARR) of 10% on all its capital investments.

Other data and information shared by the executives are shown below:

- According to the *World Economic Forum's Environmental Performance Index*, the Czech Republic is ranked 27th most environmentally conscious country in the world
- The Czech Republic is the second richest Eastern European country, after Slovenia
- GDP per capita in Prague is about twice the national average
- In 2018, the Czech Republic had the lowest rate of unemployment in the EU, at just below 4%
- The influx of foreign direct investment (FDI) over the last two decades has transformed the Czech economy into a manufacturing and logistics hub in Europe
- With around 7 million foreign visitors a year, Prague is Europe's 5th most visited city, after London, Paris, Istanbul and Rome.

Jan Radeki de Dovnic and his executives are concerned about rising costs of production and the growing intensity of foreign competition. Hence, they are unanimous in the view that *RDM* needs to generate additional revenue streams.

- (a) Define the term *net cash flows*. [2 marks]
- (b) With reference to *RDM*, explain the suitability of batch production for the manufacturing of the aluminium water bottles. [4 marks]
- (c) Explain why it might be important for *RDM* to generate new revenue streams, such as the sale of aluminium water bottles (line 64). [4 marks]
- (d) Using the additional stimulus material above and information from the case study, discuss whether *RDM* should build a separate manufacturing division to produce aluminium water bottles.* [10 marks]

* You will find the calculation of the payback period (PBP) and average rate of return (ARR) helpful in addressing this question.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Standard Level Mock Examination – MARK SCHEME

Paper 1

Radeki de Dovnic Manufacturing (RDM)



For May 2019 examinations

TEACHERS' NOTES

- These are suggested answers only
- Teachers should use their professional judgment 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 give students practice for the final examination in November 2019.

SECTION A

1. (a) **With reference to RDM, describe two benefits of having a marketing strategy (line 119).** [4 marks]

Marketing strategy is the management process of formulating a firm's marketing goals and activities to increase sales and to achieve a sustainable competitive advantage. At present, RDM does not have a marketing strategy. Benefits of having a marketing strategy include the following points:

- Improved efficiency - Improves the focus of RDM's marketing efforts, thus makes its marketing expenditure more cost effective.
- Improved success - It helps RDM to create marketing campaigns targeted at the right customers, thus improving their chances of success.
- Improved cohesiveness - It can enable everyone at RDM to be clear about the firm's marketing goals and expectations, as well as *how* to achieve these targets.
- Improved control - It helps RDM with its day-to-day running of the business, such as a better allocation of financial resources and marketing budget.
- Increased visibility - Successful marketing strategies are built on visibility; having a marketing strategy helps RDM to build brand awareness (recognition), brand development, brand loyalty and brand value - especially as it currently has a weak brand identity (line 123).
- Improved consistency - with an integrated marketing plan and strategy, RDM's marketing activities align better with its overall corporate goals, even though RDM does not currently have a formal corporate strategic plan (line 122).
- *Accept any other relevant benefit of having a marketing strategy for RDM.*

Mark as 2 + 2

Award [1 mark] for each benefit.

Award [1 mark] for the explanation (application), written in the context of RDM.

- (b) **With reference to RDM, explain the purpose of vision and mission statements (line 123).** [6 marks]

The vision statement of a business is a written declaration of where it aspires to be in the future. The vision is therefore the overall long-term goal of a business (although it is not clear what RDM's vision is at the moment). Having a vision statement would give RDM and its internal stakeholders (such as the CFO, engineers and other employees) a clear sense of purpose. This can act as a motivating factor too, according to D.H. Pink's motivation theory. It would also provide a clear strategic direction for what Jan Radeki de Dovnic wants RDM to achieve in the future.

The purpose of a mission statement includes showing or stating the organization's core values/aims. Having a mission statement would direct/guide and motivate RDM's executives and employees. For external stakeholders, a clear mission statement can help to attract the interest of suppliers (such as those with a similar CSR programme to RDM) and investors or financiers to fund its growth (if RDM decides to go public). A mission statement can also help to guide and set RDM's organizational objectives, including aspects of its corporate social responsibility (line 99).

Award [1 – 2 marks] if the explanation lacks detail or clarity, or lacks application to RDM.

Award [3 – 4 marks] if the explanation lacks some depth, but shows some understanding of the demands of the question. There is an attempt at application to the RDM case study.

Award [6 marks] if the explanation is in depth and is applied well to the RDM case study, showing a clear understanding of the demands of the question.

2. (a) RDM has a weak brand identity (line 123). Explain **two** benefits of having a strong brand. **[4 marks]**

Possible benefits of RDM having a strong brand could include:

- Giving RDM a competitive edge against other European and Asian manufacturers of similar products.
- Emphasizing to customers the uniqueness of a particular RDM healthcare device.
- Strengthening the promotion of RDM's medical devices, e.g. a strong brand would help to reinforce word of mouth promotion of the company's products.
- Creates and maintains a well-known name for a product; this is particularly important in the healthcare industry due to expectations and perceptions of the general public, especially as RDM has an outdated brand name (line 123).
- Making it easier for RDM to introduce new products through family branding and brand development strategies as part of a growth strategy.
- *Accept any other relevant benefit for RDM of having a strong brand.*

Mark as 2 + 2

Award [1 mark] for each valid benefit identified, and [1 mark] for the development of why this is the case for RDM.

(b) With reference to Jan Radeki de Dovnic, explain the importance of leadership in business organizations. [6 marks]

Leadership is the art of influencing, inspiring and motivating others to accomplish a common goal. It involves entrepreneurs such as Jan Radeki de Dovnic setting a clear vision and direction for others in the organization to follow. Effective leadership is important for several reasons, including:

- To inspire and influence others to achieve organizational goals – In order to get the best out of his executive team and employees, Jan Radeki de Dovnic needs to have strong leadership skills. This will help to motivate them and earn their respect, trust and loyalty, thereby creating an atmosphere that has produced positive results (lines 96 – 97).
- To create a sense of purpose and strategic direction – Without effective leadership, *RDM* may struggle to succeed in the future, in light of globalization and fierce competition from Asian manufactures (line 52). It is vital that leaders such as Jan Radeki de Dovnic plan effectively and initiate actions to achieve their organizational goals.
- To coordinate business operations – As the CEO, Jan Radeki de Dovnic needs to oversee and coordinate the strategic direction of *RDM*, including delegating responsibilities to his executive team (such as the CFO) whilst maintaining overall responsibility for the performance of *RDM*.
- Improved communication – With strong leadership, employees are clear about the purpose of strategic and tactical decisions made at *RDM*. This is especially important as there seems to be a culture gap between the longer serving staff members (who survived WWII and the experience of Communist rule in Czechoslovakia), and newer recruits (such as recent graduates of engineering).
- To shape the organizational culture – Jan Radeki de Dovnic’s leadership style will ultimately determine the organizational culture at *RDM*, thereby affecting its daily operations, productivity and corporate image. He has ‘painstakingly’ changed the culture to one that fosters innovation (lines 90 – 91).
- To achieve corporate success – Ultimately, strong leadership builds employee morale, raises productivity, and helps to improve staff retention, all of which have a favourable impact on *RDM*’s profitability. Despite the lack of a corporate strategic plan, through the leadership of Jan Radeki de Dovnic, *RDM* currently enjoys healthy profits (line 126).
- *Accept any other relevant reason, explained in the context of RDM.*

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

*Award [3 – 4 marks] for a partial explanation of the importance of leadership in *RDM*. There is some suitable use of business management tools, techniques, theories and/or terminology (as appropriate). There is some reference made to the stimulus material in the case study. Award a maximum of [3 marks] for a purely theoretical answer about the importance of leadership in business organizations.*

Award [5 – 6 marks] for a detailed explanation of the importance of leadership in business organizations, with reference to Jan Radeki de Dovnic. There is appropriate use of business management tools, techniques, theories and/or terminology throughout the response. There is effective use of the stimulus material in the case study.

3. (a) Define the following terms:

(i) corporate social responsibility (line 99). [2 marks]

CSR is the conscience of a business, with consideration of its actions on different stakeholder groups and the natural environment. It consists of RDM caring for the environment, and being responsible towards its customers, suppliers, employees and local communities.

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

Award [2 marks] for an answer with a clear definition of corporate social responsibility.

Note: application to the case study is not required nor expected for full marks.

(ii) human resources plan (line 124). [2 marks]

An organization's HR plan is a forecast of its requirements for human resources, such as recruitment and training needs. It involves assessing the size and skills of the current workforce, and identifying future human resource needs to help the business meet its strategic goals.

Award [1 mark] for a description that shows some understanding of human resources plan.

Award [2 marks] for an answer with a clear definition of human resources plan, similar to the example above.

Note: application to the case study is not required nor expected for full marks.

(b) Using a SWOT analysis framework, explain the strengths and weaknesses of RDM [6 marks]

Examples of internal strengths of RDM could include:

- As RDM is 100% owned by the Radeki de Dovnic family (line 1), Jan and his relatives maintain control and ownership of the company.
- RDM is a very well established business, having been founded 146 years ago.

- *RDM's* highly integrated and automated production process (line 56 – 59) enables it to produce high quality products at competitive prices (line 107).
- *RDM* is customer orientated, as highly trained engineers review every customer's product specifications (line 36) and suggesting ways to improve these (line 38); it is also responsive to the needs of its customers (line 125).
- *RDM's* integrated technologies enable it to mass customize other products (not just healthcare devices), such as the 500 aluminium water bottles ordered by a large medical customer for its employees (lines 60 – 69).
- There is a culture of innovation (line 91, which has been fostered by Jan Radeki de Dovnic's democratic leadership style (line 89), yielding positive results for the company (lines 96 – 97).
- *RDM* has a strong sense of corporate social responsibility (line 99) and a full programme of CSR (lines 102 – 103), which gives it a positive corporate image and competitive advantages.
- The company currently enjoys healthy profits (line 126).

Examples of internal weaknesses of *RDM* could include:

- The costing of products (line 47) and delivery (line 48) are yet to be automated; the costing is 'old fashioned' (line 48) whilst the delivery using human drivers (line 49) is expensive in the long run.
- There has been a steady decline in the number of employees at *RDM*, resulting in the company having less of an influence in the community (lines 80 – 81).
- Some employees have complained Jan Radeki de Dovnic's approach and emphasis on creating a culture of innovation mean that there is insufficient guidance and sometimes a lack of focus (lines 97 – 98).
- *RDM* does not seem to be forward thinking, such as the company not having:
 - a marketing strategy (line 119)
 - a corporate strategy beyond a vision in Jan's mind (line 121)
 - a written strategic plan (line 122).
- The company also has a weak brand identity (line 123) and an outdated brand name (line 123).
- The company does not have a written declaration of its vision or mission (lines 123 – 124).
- *RDM* does not have a human resource plan or an operations management strategy (line 124).

Note: it is vital that students explain why these factors are strengths or weaknesses. The answer should not appear as a simple list of strengths and weaknesses – the above points are for illustrative purposes only.

*Award a maximum of [2 marks] if limited understanding is shown, but the explanation is inaccurate, lacks clarity or lacks application to *RDM*.*

Award up to [3 marks] if only strengths or weaknesses are considered.

Award a maximum of [4 marks] if the explanation lacks depth, but shows some understanding of strengths and weaknesses. There is an attempt at application.

*Award [5 – 6 marks] if a clear understanding is shown, with a well-explained answer that is written in the context of the *RDM* case study.*

SECTION B

4. (a) **Define the term *net cash flow*.** [2 marks]

In a cash-flow forecast, the net cash flow (NCF) shows the difference between *RDM*'s cash inflows and its cash outflows per time period. It is calculated using the formula: Net cash flow = Total cash inflows – Total cash outflows.

*Students are **not** expected to phrase their definition exactly as above. Application and examples are not required for full marks.*

Award [1 mark] for a definition that shows partial understanding of net cash flow.

Award [2 marks] for a definition that shows a good understanding of net cash flow.

(b) **With reference to *RDM*, explain the suitability of batch production for the manufacturing of the aluminium water bottles.** [4 marks]

- Distinct consignments (batches) of aluminium water bottles can be produced. This is useful as different features of water bottles (e.g. colour and finish) can be produced in a cost effective way.
- It is suitable as *RDM* is unlikely to have enough customers (initially at least) to mass produce these water bottles.
- By operating on a larger scale, *RDM* is able to enjoy the benefits of economies of scale, thereby lowering its average costs of production.
- *Accept any other relevant explanation.*

Mark as 2+2

*Award [1 – 2 marks] for an answer that shows some knowledge of the suitability of batch production. The answer lacks depth and/or application to *RDM*.*

*Award [3 – 4 marks] for an accurate answer that shows good knowledge of the suitability of batch production for the manufacturing of the aluminium water bottles. The answer shows clear application to the *RDM* case study.*

(c) **Explain why it might be important for *RDM* to generate new revenue streams, such as the sale of aluminium water bottles (line 64).** [4 marks]

Revenue streams are the various sources of income for *RDM* from its various trading activities over a period of time. *RDM*'s main revenue stream is from the sale of its healthcare (medical) devices.

It may be important for *RDM* to generate new revenue streams in order to improve its long term profitability, especially as the company faces fierce competition (line 52) and does not currently have a corporate strategic plan (line 123). Instead, being able to generate new revenue streams helps *RDM* to:

- increase total sales revenue
- remain competitive and innovative (line 91)
- improve job security for its 117 employees, and
- earn more profit.

Award [1 – 2 marks] for an answer that shows some knowledge of why new revenue streams might be important. The answer lacks depth or the explanation is rather generic. Application, if presented, is minimal or superficial.

*Award [3 – 4 marks] for an in-depth answer that shows good knowledge of why new revenue streams might be important to *RDM*, with clear application to the case study.*

- (d) Using the additional stimulus material above and information from the case study, discuss whether *RDM* should build a separate manufacturing division to produce aluminium water bottles.* [10 marks]**

*** You will find the calculation of the payback period (PBP) and average rate of return (ARR) helpful in addressing this question.**

An investment appraisal consisting of the PBP and ARR reveals the following:

- Payback period = Investment cost ÷ Annual net cash flow
- PBP = €300,000 ÷ €60,000 = **5 years**

- Average rate of return = (Average annual profit ÷ Investment cost) × 100
- Total profit = [(€60,000 × 12) – €300,000] = €420,000
- Annual profit = €420,000 / 12 = €35,000
- ARR = (€35,000 / €300,000) × 100 = **11.67%**

Based on these calculations, it seems financially feasible to build a separate manufacturing division. Arguments for going ahead with this proposal include:

- The payback period suggests that *RDM* could break even on its investment by the end of the 5th year, thus would earn profit for the remaining 7 years of the 12 year investment.
- Financially, the project costs €300,000 but *RDM* is expected to earn €720,000 in revenue, i.e. a profit of €420,000. This represents an impressive 140% return on investment.
- The ARR of 11.67% shows the project is profitable, and exceeds that target 10% benchmark set by the executives at *RDM*.

- Being an environmentally friendly nation (ranked 27th most environmentally conscious country in the world), there could be huge financial benefits if *RDM* produced and sold these reusable products.
- The economic conditions in the Czech Republic also suggest this investment is feasible. With the country being the second wealthiest in Eastern Europe, domestic customers may be willing and able to spend money on the aluminium water bottles, despite them being more expensive than plastic water bottles. Prague may be a good place to launch these aluminium water bottles, given the GDP per capita in the capital city is significantly higher than the national average. With Prague being the fifth most visited city in Europe, *RDM* could also target these products at tourists.
- This option presents a good business opportunity for *RDM* to remain competitive, especially given the influx of FDI and the country's reputation as a manufacturing hub in Europe.
- Having an extra revenue stream from the sale of aluminium water bottles can improve the company's cash flow (liquidity) and profits.

However, counter arguments include the following considerations:

- Doubts about the ability to forecast sales revenues and net cash flows for a 12-year project. Hence, the validity of the investment appraisal becomes questionable.
- Similarly, the CFO's forecasts may be rather simplistic, with net cash flows predicted to be the same figure for the duration of the project. The executives are already concerned about rising costs, but this does not seem to have been factored into the figures used for the investment appraisal.
- With unemployment being the lowest in the European Union, labour costs could be very high. Despite the reliance on automation at *RDM*, the costs of sales staff and distribution may limit the profitability of this investment.
- It is not clear why only aluminium water bottles are being considered. For example, alternative methods such as the use of polylactic acid (PLA), a biodegradable material derived from renewable resources, might be more economical and environmentally friendly, and align better with *RDM*'s programme of corporate social responsibility.
- As the company does not have a strategic plan (line 122), it is not exactly clear why *RDM*, which specialises in the production of bespoke medical devices, would want to diversify its portfolio to include aluminium water bottles. It is questionable whether this proposal, despite the forecast profits in the investment appraisal, is a sustainable way forward for *RDM*.

Whether the company should go ahead with this proposal depends on several factors, including:

- The risk profile of the executives and shareholders – Despite what the financial analysis might reveal, whether the decision goes ahead depends on how much risks *RDM*'s executives and shareholders are willing to accept.
- The financial position of *RDM* – although it is profitable (line 126), there is no data on its liquidity position. Generating additional revenue streams from selling a broader range of products may be important to improve *RDM*'s cash flow position.

- The ability to source suitable suppliers, who align with RDM's views on CSR and are able to offer competitive prices without compromising quality.
- Consideration of the reliability of the data and information presented by the executives.
- *Accept any other relevant and substantiated discussion.*

Award [1 – 2 marks] if there is limited understanding of the demands of the question. The response is generalised, with little reference to the case study or use of the additional stimulus material in Section B.

Award [3 – 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but application of the stimulus material is limited. There is evidence of some use of appropriate business management tools, techniques or theories.

Award [5 – 6 marks] for an answer that shows an understanding of most of the demands of the question. Relevant tools, theories and techniques are used in most parts of the answer. There is reference to the case study and additional stimulus material, but arguments are not always balanced or substantiated.

Award a maximum of [6 marks] for an unbalanced answer that only considers the case for or against the production of aluminium water bottles.

Award [7 – 8 marks] for an answer that shows a good understanding of the demands of the question. Relevant business management tools, techniques and theories are explained purposefully, and applied effectively to the case study and additional stimulus material. The response is balanced, considering both the case for and against building a separate manufacturing division to produce aluminium water bottles. There is evidence of relevant judgments, but these are not always substantiated.

Award [9 – 10 marks] for an answer that shows a good understanding of the demands of the question, including the implications of the decisions being made. Relevant business management tools, techniques and theories are explained, as appropriate, with meaningful application of the case study and additional stimulus material. The response is balanced, with justifications for and against building a separate manufacturing division to produce aluminium water bottles. There is evidence of relevant judgments, which are well substantiated.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Higher Level Mock Examination

Paper 1

Radeki de Dovnic Manufacturing (RDM)



For May 2019 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 Radeki de Dovnic (*RDM*) case study for this examination paper
- Read the case study carefully, including the additional information in Sections B and C
- 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
- Answer **the** compulsory question from Section C
- You are permitted to use a calculator for this examination paper
- Total marks available: 60 marks

SECTION A

Answer **two** questions from this section.

1. (a) Define the following terms:
- (i) *stakeholders* (line 73). [2 marks]
 - (ii) *process innovation* (lines 94 – 95). [2 marks]
- (b) With reference to *RDM*, explain the purpose of vision and mission statements (lines 123 – 124). [6 marks]
2. (a) Define the term *corporate social responsibility* (CSR) (line 99). [2 marks]
- (b) Describe **one** likely influence on the organizational culture at *RDM*. [2 marks]
- (c) Using a STEEPLE analysis framework, explain how any **two** changes in the external environment can affect the operations at *RDM*. [6 marks]
3. (a) Using a fully labelled Boston Consulting Group (BCG) matrix, explain the position of *RDM*'s current product (healthcare devices). [4 marks]
- (b) Explain the importance of a human resources plan (line 124) for *RDM*. [6 marks]

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

SECTION B

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

4. Jan Radeki de Dovnic has asked his executives to investigate the feasibility of a separate manufacturing division specialising in the batch production of aluminium water bottles. The CFO has provided the following information for the executive board to consider.

The total **capital expenditure** required for the project is expected to cost €300,000. The CFO expects the new division of *RDM* to generate annual net cash flows of €60,000. The estimated useful life of the machinery for the production of aluminium water bottles is 12 years, with no scrap value. The executive board at *RDM* would like an average rate of return (ARR) of 10% on all its capital investments.

Other data and information shared by the executives are shown below:

- According to the *World Economic Forum's Environmental Performance Index*, the Czech Republic is ranked 27th most environmentally conscious country in the world
- The Czech Republic is the second richest Eastern European country, after Slovenia
- GDP per capita in Prague is about twice the national average
- In 2018, the Czech Republic had the lowest rate of unemployment in the EU, at just below 4%
- The influx of foreign direct investment (FDI) over the last two decades has transformed the Czech economy into a manufacturing and logistics hub in Europe
- With around 7 million foreign visitors a year, Prague is Europe's 5th most visited city, after London, Paris, Istanbul and Rome.

Jan Radeki de Dovnic and his executives are concerned about rising costs of production and the growing intensity of foreign competition. Hence, they are unanimous in the view that *RDM* needs to generate additional revenue streams.

- (a) Define the term *capital expenditure*. [2 marks]
- (b) With reference to *RDM*, explain the suitability of batch production for the manufacturing of the aluminium water bottles. [4 marks]
- (c) Explain why additional revenue streams are important to a business such as *RDM*. [4 marks]
- (d) Using the additional stimulus material above and information from the case study, discuss whether *RDM* should build a separate manufacturing division to produce aluminium water bottles.* [10 marks]

* You will find the calculation of the payback period (PBP) and average rate of return (ARR) helpful in addressing this question.

SECTION C

Answer **the** following question.

5. Jan Radeki de Dovnic had asked the chief financial officer (CFO) to conduct more research into the idea of building an additional production facility elsewhere in Europe. At an executive board meeting in January 2019, the CFO presented the following results of the research to Jan and the executive team.

In particular, the CFO was keen to look into the feasibility of locating the additional production facility in either Poland or Slovakia (see Appendix 2). The CFO also presented the following quantitative data at the meeting.

Table 1: Selective key indicators

Indicators	Czech Rep	Poland	Slovakia
Ease of doing business ranking [#]	35	33	42
Corruption index [*]	59	60	50
Corporate tax rate (%)	19	19	21
Personal income tax (%)	22	32	25
Inflation rate (%)	2.5	0.9	2.2
Interest rate (%)	1.75	1.5	0.0
Unemployment rate (%)	3.3	5.8	5.0
GDP growth rate 2019 forecast (%)	2.9	4.9	3.6
Population (millions)	10.61	37.98	5.44
GDP per capita (USD per year)	22,779	15,752	19,897
Minimum wage (Euros per month)	513	480	480
Currency	Koruna	Zloty	Euro
Official language [^]	Czech	Polish	Slovak

[#] World Bank annual ratings out of 190 countries

^{*} Transparency International annual ratings on a scale of 0 (highly corrupt) to 100 (very clean)

[^] The Czech and Slovak languages are mutually intelligible

Sources:

<https://tradingeconomics.com/czech-republic/indicators>

<https://tradingeconomics.com/czech-republic/ease-of-doing-business>

<https://tradingeconomics.com/slovakia/indicators>

<https://tradingeconomics.com/slovakia/ease-of-doing-business>

<https://tradingeconomics.com/poland/indicators>

<https://tradingeconomics.com/poland/ease-of-doing-business>

Continued on next page...

In addition, the CFO presented the following financial data based on the research carried out by *RDM's* operations management and finance (accounting) teams. The outcomes of these options depend on expected economic conditions in Poland and Slovakia over the next few years, i.e. whether the economies are forecast to improve, remain unchanged or worsen. For each of illustration, the CFO decided to present the currencies in Euros (€).

Option	Economic conditions	Probability (%)	Forecast revenue (€)	Cost (€)
Poland	Improve	60	2,600,000	1,200,000
	Unchanged	20	1,800,000	
	Worsen	20	1,000,000	
Slovakia	Improve	65	3,000,000	1,350,000
	Unchanged	10	2,000,000	
	Worsen	25	900,000	

Jan Radeki de Dovnic remains somewhat nervous about these findings, as *RDM* has no experience of operating outside of the Czech Republic.

Using the additional stimulus material above (Section C) and information from the case study, recommend whether *RDM* should build an additional production facility elsewhere in Europe. You will find it useful to construct a decision tree from the above data in order to calculate the expected outcomes. [20 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Higher Level Mock Examination – MARK SCHEME

Paper 1

Radeki de Dovnic Manufacturing (RDM)



For May 2019 examinations

2 hours 15 minutes

TEACHERS' NOTES

- These are suggested answers only; please use your professional judgement when marking your students' work
- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme
- The data included in Section B are provided for illustrative purposes only, in order to give students practise for the final examination in May 2019
- The additional information in Section C is for illustrative purposes only, again to give students examination practise.

SECTION A

1. (a) **Define the following terms:**

(i) **stakeholders (line 73).**

[2 marks]

Stakeholders are the individuals and other organizations that have a direct interest in the operations and business affairs of the firm in question. They include internal stakeholders (e.g. executives, employees, managers and shareholders) and external stakeholders (e.g. customers, suppliers, the local community, and the Czech government). *RDM's* relationship with its stakeholders changed since the move to automation, especially with a much smaller workforce.

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

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

Award [2 marks] for a definition that shows a clear understanding of stakeholders.

(ii) **process innovation (lines 94 – 95).**

[2 marks]

Process innovation is the creation and implementation of a new or significantly improved product, procedures or practices, such as delivery methods, production techniques, or dedicated software solutions. Typically, this involves significantly improved ways of doing things which increase productivity and/or reduce costs. Jan Radeki de Dovnic is constantly seeking process innovations at *RDM*.

*Students are **not** expected to word their definition exactly as above. Application is not required for full marks.*

Award [1 mark] for a definition that shows some understanding of process innovation.

Award [2 marks] for a definition that shows a clear understanding of process innovation.

(b) **With reference to *RDM*, explain the purpose of vision and mission statements (lines 123 – 124).**

[6 marks]

The vision statement of a business is a written declaration of where it aspires to be in the future. The vision is therefore the overall long-term goal of a business (although it is not clear what *RDM's* vision is at the moment). Having a vision

statement would give *RDM* and its internal stakeholders (such as the CFO, engineers and other employees) a clear sense of purpose. This can act as a motivating factor too, according to D.H. Pink's motivation theory. It would also provide a clear strategic direction for what Jan Radeki de Dovnic wants *RDM* to achieve in the future.

The purpose of an organization's mission statement is to communicate to its internal and external stakeholders the common purpose of *RDM*'s existence; currently this is not clear. It enables *RDM* to set its corporate aims and objectives, including showing or stating the organization's core values, such as aspects of its corporate social responsibility (line 99). Having a mission statement would direct/guide and motivate *RDM*'s executives and employees. For external stakeholders, a clear mission statement can help to attract the interest of suppliers (such as those with a similar CSR programme to *RDM*) and investors or financiers to fund its growth (if *RDM* decides to go public).

Award a maximum of [2 marks] if the explanation is lacks detail or clarity, or lacks application to RDM.

Award a maximum of [4 marks] if the explanation lacks depth. There is an attempt at application to the RDM case study, and showing some understanding of the demands of the question.

Award [6 marks] if the explanation is in depth and is applied well to the RDM case study, showing a clear understanding of the demands of the question.

2. (a) Define the term *corporate social responsibility* (CSR) (line 99). [4 marks]

CSR is the conscience of a business with consideration of the organization's actions on its various stakeholder groups and the natural environment. It consists of responsible business behaviour towards the natural environment, consumers, suppliers, employees and local communities. CSR has always been a key aspects of the culture and practices at *RDM*.

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

Award [2 marks] for a definition that shows a clear understanding of corporate social responsibility.

(b) Describe one likely influence on the organizational culture at *RDM*. [2 marks]

Possible influences could include:

- The leadership style at the organization – Jan is a democratic leader (line 89), so has influenced a culture of creativity, innovation and fun (lines 93 – 95)
- The influence of the leader – most of the employees love the environment that Jan has created (lines 95 – 96)
- The organizational structure at *RDM*, which is less hierarchical (line 85) but is much flatter due to the downsizing of the workforce (line 75); hence Jan’s ability to foster a culture that emphasises teamwork, diversity, humour and fun (line 95)
- The history and background of the organization – *RDM* has been a family-owned business for most of its 146-year old history, so a paternalistic culture (lines 89 and 101)
- Attitudes and values – *RDM* is dedicated to corporate social responsibility (line 99), which influences its relationship with suppliers, employees and local communities (lines 103 – 104)
- *Accept any other relevant influencing factor that is applicable to the case study.*

Award [1 mark] for describing a possible influencing factor, and up to [2 marks] if there is clear application to RDM.

(c) Using a STEEPLE analysis framework, explain how any two changes in the external environment can affect the operations at *RDM*. [6 marks]

The external environment refers to the factors beyond the control of *RDM* as an organization, but which have direct impacts on its operations and performance. Possible changes in the external environment can affect *RDM*’s operations in numerous ways. Some examples are provided below:

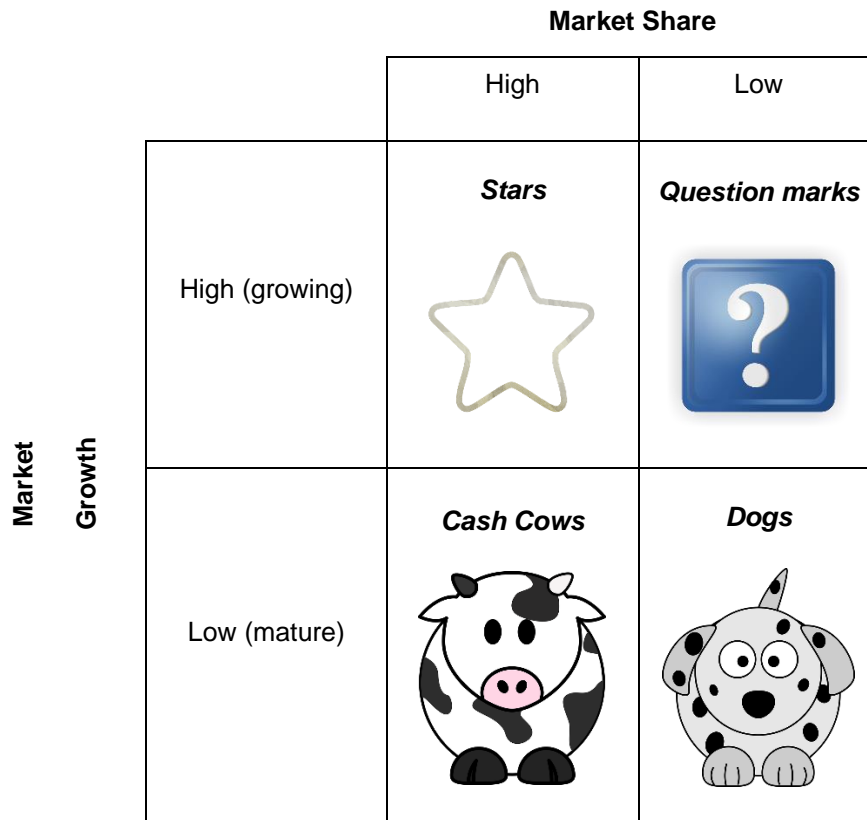
- The Czech Republic, and hence *RDM*, is not immune to broader economic trends in Europe (line 15), such as the huge uncertainties caused by Brexit and the turmoil of the Yellow Vest protests in France, many businesses including *RDM* are likely to be hit by such turbulent times in the EU
- The potential threat to *RDM*’s profitability from Asian manufacturers (line 52) as they may have lower costs structures, which could also undermine *RDM*’s position in the market for customized healthcare devices
- Similarly, globalization and the intense competition can threaten the price competitiveness of *RDM*’s products (even with its highly automated manufacturing processes)
- With ageing populations in high-income countries such as the Czech Republic and Germany, there are business opportunities for *RDM* to cater to new and larger markets for its healthcare and medical devices
- *Accept any other explanation, written in the context of Radeki de Dovic Manufacturing (RDM).*

Mark as 2 + 2

Note: Students are not expected to use a STEEPLE framework, and can refer to changes in any two relevant external factors.

Award [1 mark] for each valid external factor that is identified, and [1 mark] for each explanation, written in the context of the RDM case study.

3. (a) Using a fully labelled Boston Consulting Group (BCG) matrix, explain the position of RDM's current product (healthcare devices). [4 marks]



Possible explanations of RDM's current product being a cash cow could include:

- The product was introduced back in 1993 (26 years ago)
- The company enjoys healthy profits (line 126)
- Accept any other reasonable explanation, written in the context of RDM.

Award [1 mark] if the answer shows some idea of what the BCG matrix is.

Award [2 marks] if the answer shows a correctly drawn and labelled BCG matrix, but without an explanation or an answer that has a largely correct BCG matrix and places RDM in the current quadrant in the matrix.

Award [3 marks] if the answer shows a fully accurate understanding of the BCG matrix and identifies RDM's healthcare device as "a cash cow".

Award [4 marks] if the answer shows a fully accurate understanding of the BCG matrix, identifying RDM's healthcare device as a "cash cow" and explains why.

(b) Explain the importance of a human resources plan (line 124) for RDM.

[6 marks]

A human resources plan is a long-term plan to ensure that the organization's labour force has the correct skills and expertise to carry out its roles within the business. At present, RDM does not have a human resources plan. This contributes to some employees complaining about the lack of guidance and RDM sometimes lacking focus (lines 97 – 98).

However, it can be important to have such a plan to forecast RDM's current and future human resources needs, such as current and future training needs of the labour force.

A human resources plan enables RDM to plan ahead, such as identifying the required skills and knowledge of the labour force (such as the number of engineers and computer experts). Hence, such a plan can help the company to meet its organizational goals.

Award [1 – 2 marks] if the answer shows limited understanding, but lacks detail, clarity, or application to RDM.

Award [3 – 4 marks] if the answer shows some understanding of the demands of the question. There is an attempt at application to the RDM case study.

Award [5 – 6 marks] if the explanation shows a clear understanding of the demands of the question. The explanation is detailed and there is good application to the RDM case study.

SECTION B

4. (a) **Define the term *capital expenditure*.** [2 marks]

Capital expenditure refers to the spending of a business on acquiring, maintaining and/or upgrading its fixed assets. It represents a financial investment in the business, e.g. *RDM*'s capital expenditure on the automated and integrated manufacturing processes.

Award [1 mark] for a definition that shows some understanding of capital expenditure.

Award [2 marks] for an answer with a clear definition of capital expenditure.

Note: application to the case study is not required nor expected for full marks.

(b) **With reference to *RDM*, explain the suitability of batch production for the manufacturing of the aluminium water bottles.** [4 marks]

- Distinct consignments (batches) of aluminium water bottles can be produced. This is useful as different features of water bottles (e.g. colour and finish) can be produced in a cost effective way.
- It is suitable as *RDM* is unlikely to have enough customers (initially at least) to mass produce these water bottles.
- By operating on a larger scale, *RDM* is able to enjoy the benefits of economies of scale, thereby lowering its average costs of production.
- *Accept any other relevant explanation.*

Mark as 2+2

*Award [1 – 2 marks] for an answer that shows some knowledge of the suitability of batch production. The answer lacks depth and/or application to *RDM*.*

*Award [3 – 4 marks] for an accurate answer that shows good knowledge of the suitability of batch production for the manufacturing of the aluminium water bottles. The answer shows clear application to the *RDM* case study.*

- (c) **Explain why additional revenue streams are important to a business such as RDM.** [4 marks]

Revenue streams are the various sources of income for RDM from its various trading activities over a period of time. RDM's main revenue stream is from the sale of its healthcare (medical) devices.

It may be important for RDM to generate new revenue streams in order to improve its long term profitability, especially as the company faces fierce competition (line 52) and does not currently have a corporate strategic plan (line 123). Instead, being able to generate new revenue streams helps RDM to:

- increase total sales revenue
- remain competitive and innovative (line 91)
- improve job security for its 117 employees, and
- earn more profit.

Award [1 – 2 marks] for an answer that shows some knowledge of why new revenue streams might be important. The answer lacks depth or the explanation is rather generic. Application, if presented, is minimal or superficial.

Award [3 – 4 marks] for an in-depth answer that shows good knowledge of why new revenue streams might be important to RDM, with clear application to the case study.

- (d) **Using the additional stimulus material above and information from the case study, discuss whether RDM should build a separate manufacturing division to produce aluminium water bottles.*** [10 marks]

*** You will find the calculation of the payback period (PBP) and average rate of return (ARR) helpful in addressing this question.**

An investment appraisal consisting of the PBP and ARR reveals the following:

- Payback period = Investment cost ÷ Annual net cash flow
- $PBP = €300,000 \div €60,000 = 5 \text{ years}$
- Average rate of return = (Average annual profit ÷ Investment cost) × 100
- Total profit = [(€60,000 × 12) – €300,000] = €420,000
- Annual profit = €420,000 / 12 = €35,000
- $ARR = (€35,000 / €300,000) \times 100 = 11.67\%$

Based on these calculations, it seems financially feasible to build a separate manufacturing division. Arguments for going ahead with this proposal include:

- The payback period suggests that *RDM* could break even on its investment by the end of the 5th year, thus would earn profit for the remaining 7 years of the 12 year investment.
- Financially, the project costs €300,000 but *RDM* is expected to earn €720,000 in revenue, i.e. a profit of €420,000. This represents an impressive 140% return on investment.
- The ARR of 11.67% shows the project is profitable, and exceeds that target 10% benchmark set by the executives at *RDM*.
- Being an environmentally friendly nation (ranked 27th most environmentally conscious country in the world), there could be huge financial benefits if *RDM* produced and sold these reusable products.
- The economic conditions in the Czech Republic also suggest this investment is feasible. With the country being the second wealthiest in Eastern Europe, domestic customers may be willing and able to spend money on the aluminium water bottles, despite them being more expensive than plastic water bottles. Prague may be a good place to launch these aluminium water bottles, given the GDP per capita in the capital city is significantly higher than the national average. With Prague being the fifth most visited city in Europe, *RDM* could also target these products at tourists.
- This option presents a good business opportunity for *RDM* to remain competitive, especially given the influx of FDI and the country's reputation as a manufacturing hub in Europe.
- Having an extra revenue stream from the sale of aluminium water bottles can improve the company's cash flow (liquidity) and profits.

However, counter arguments include the following considerations:

- Doubts about the ability to forecast sales revenues and net cash flows for a 12-year project. Hence, the validity of the investment appraisal becomes questionable.
- Similarly, the CFO's forecasts may be rather simplistic, with net cash flows predicted to be the same figure for the duration of the project. The executives are already concerned about rising costs, but this does not seem to have been factored into the figures used for the investment appraisal.
- With unemployment being the lowest in the European Union, labour costs could be very high. Despite the reliance on automation at *RDM*, the costs of sales staff and distribution may limit the profitability of this investment.
- It is not clear why only aluminium water bottles are being considered. For example, alternative methods such as the use of polylactic acid (PLA), a biodegradable material derived from renewable resources, might be more economical and environmentally friendly, and align better with *RDM*'s programme of corporate social responsibility.
- As the company does not have a strategic plan (line 122), it is not exactly clear why *RDM*, which specialises in the production of bespoke medical devices, would want to diversify its portfolio to include aluminium water bottles. It is questionable whether this proposal, despite the forecast profits in the investment appraisal, is a sustainable way forward for *RDM*.

Whether the company should go ahead with this proposal depends on several factors, including:

- The risk profile of the executives and shareholders – Despite what the financial analysis might reveal, whether the decision goes ahead depends on how much risks *RDM's* executives and shareholders are willing to accept.
- The financial position of *RDM* – although it is profitable (line 126), there is no data on its liquidity position. Generating additional revenue streams from selling a broader range of products may be important to improve *RDM's* cash flow (liquidity) position.
- The ability to source suitable suppliers, who align with *RDM's* views on CSR and are able to offer competitive prices without compromising quality.
- Consideration of the reliability of the data and information presented at the executive board meeting in January 2019.
- *Accept any other relevant and substantiated discussion.*

Award [1 – 2 marks] if there is limited understanding of the demands of the question. The response is generalised, with little reference to the case study or use of the additional stimulus material in Section B.

Award [3 – 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but application of the stimulus material is limited. There is evidence of some use of appropriate business management tools, techniques or theories.

Award [5 – 6 marks] for an answer that shows an understanding of most of the demands of the question. Relevant tools, theories and techniques are used in most parts of the answer. There is reference to the case study and additional stimulus material, but arguments are not always balanced or substantiated.

Award a maximum of [6 marks] for an unbalanced answer that only considers the case for or against the production of aluminium water bottles.

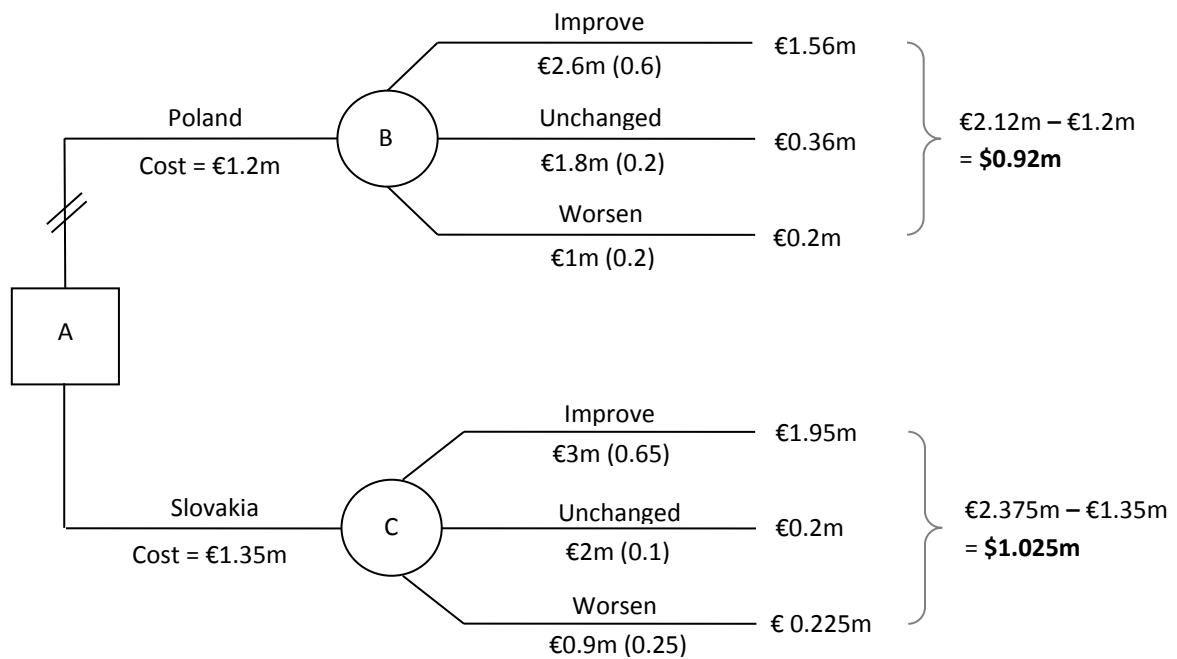
Award [7 – 8 marks] for an answer that shows a good understanding of the demands of the question. Relevant business management tools, techniques and theories are explained purposefully, and applied effectively to the case study and additional stimulus material. The response is balanced, considering both the case for and against building a separate manufacturing division to produce aluminium water bottles. There is evidence of relevant judgments, but these are not always substantiated.

Award [9 – 10 marks] for an answer that shows a good understanding of the demands of the question, including the implications of the decisions being made. Relevant business management tools, techniques and theories are explained, as appropriate, with meaningful application of the case study and additional stimulus material. The response is balanced, with justifications for and against building a separate manufacturing division to produce aluminium water bottles. There is evidence of relevant judgments, which are well substantiated.

SECTION C

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

5. Using the additional stimulus material above (Section C) and information from the case study, recommend whether *RDM* should build an additional production facility elsewhere in Europe. You will find it useful to construct a decision tree from the above data in order to calculate the expected outcomes. **[20 marks]**



Key



A decision tree is a quantitative decision-making and planning tool, designed to simplify complex decisions in an objective way. As a visual tool, it can help Jan Radeki de Dovnic, the CFO and other executives on the team to make rational decisions by considering the probable outcomes of certain decisions, such as whether to expand to Poland or Slovakia.

Students should explain how the use of a decision tree might help *RDM* to decide whether to build an additional production facility elsewhere in Europe (lines 112), written in the context of the case study. For example, the monthly minimum wage in Poland and Slovakia is lower than in the Czech Republic, thus there are potential savings on labour costs in the long run if the additional production facility was built overseas.

Arguments in favour of the investment in Poland include the following points:

- The investment cost is lower by €150,000 (i.e. €1.35m – €1.2m), which is a large sum of money, especially if *RDM* needs to rely on external sources of finance to expand overseas (lines 115 – 116).
- The decision tree shows that the expected financial return (profit) by expanding into Poland is €0.92m. Even though the forecast profit is lower in absolute terms (€0.92m vs €1.025m), the investment in Poland is still highly profitable – in fact, the return on investment for locating in Poland is 77.67% (i.e. €0.92m ÷ €1.2m). This is higher than the ROI for locating in Slovakia, which is 75.93% (i.e. €1.025m ÷ €1.35m).
- The economic forecasts in the decision tree suggest that Poland is slightly more stable, as there is only a 20% chance that things will worsen in the country. In Slovakia, the chances of economic conditions worsening is higher at 25%. Hence, the financial forecasts for Slovakia may not materialise.
- According to the World Bank (Table 1), it is significantly easier to conduct business in Poland than Slovakia, which is ranked 9 places lower in the annual ratings.
- In addition, Poland has a higher transparency rating (Table 1), meaning there is less corruption. This makes it easier for *RDM* to work in Poland than Slovakia.
- Corporation tax (on business profits) is lower in Poland, charged at 19% (Table 1), which is the rate *RDM* currently pays in the Czech Republic. It is 2% higher in Slovakia.
- Inflation is lower in Poland (0.9%) than in Slovakia (2.2%). Depending on the causes of this, Poland could be more attractive as there is less pressure of higher prices. This is particularly important for *RDM* as Jan Radeki de Dovnic and his executives are concerned about rising costs of production (Section B).
- Poland is expected to grow faster (4.9%) than both Slovakia (3.6%) and the Czech Republic (2.9%), presenting more business opportunities for *RDM* if it added a production facility there.
- The population of Poland (around 38 million) is much higher than both the Czech Republic (10.6m) and Slovakia (5.44m). This means the potential market size is significantly larger in Poland.

Nevertheless, *RDM's* executive board might prefer Slovakia as the location for expansion because:

- Based on the decision tree, the absolute return of the investment is higher for Slovakia by €105,000m (i.e. €1.025m – €0.92m), or by about 11.4%. Hence, the decision tree analysis suggests that *RDM* should opt to expand in Slovakia.
- Although Slovakia charges a slightly higher rate of corporate tax (Table 1), citizens pay 25% income tax whereas those in Poland are charged significantly more (32%). This can limit the demand for *RDM's* healthcare devices in Poland, thus making Slovakia a more attractive location.
- As Slovakia is part of the Eurozone (it uses the Euro as the official currency), this can make business transactions easier and more stable for *RDM*. By contrast, the more volatile Polish zloty can present uncertainties for *RDM*.
- The Czech and Slovak languages are mutually intelligible (Table 1), making cross border trade significantly easier.

However, counter arguments about the possibility of building an additional production facility elsewhere in Europe could include the following points:

- To expand overseas, *RDM* may need to rely on share capital – which can dilute ownership and control for the Radeki de Dovnic family, especially if the company chose to ‘go public’ (line 117). If the company chose to opt for loan capital (line 116), then this would incur interest rate charges, which could negatively impact the company’s cash flow (liquidity) position.
- A cheaper alternative may be to consider adding a production facility in the south of the Czech Republic, enabling *RDM* easier access to Austria, Slovakia and Hungary (Appendix 2).
- The influx of foreign direct investment (FDI) over the last two decades has transformed the Czech economy (Section B). As a major manufacturing and logistics hub in Europe, it is less risky for *RDM* to expand domestically.
- Furthermore, being the second wealthiest country in Eastern Europe (Section B), with a higher GDP per capital than in Slovakia and Poland (Table 1), it may be more financially rewarding for *RDM* to grow within the country. Given the potential market in Prague, perhaps the company could look at how best to capture this lucrative market area within the country.
- *Accept any other relevant and substantiated recommendation.*

There are 5 assessment criteria for Section C of Paper 1. Further guidance on these assessment criteria is provided below.

Criterion A: Knowledge and understanding of tools, techniques and theories

Criterion B: Application

Criterion C: Reasoned arguments

Criterion D: Structure

Criterion E: Individual and societies

Exam Tip!

You can remember the assessment criteria for Section C of *both* Paper 1 and Paper 2 by using the acronym **KARSI**.

Criterion A: Knowledge and understanding of tools, techniques and theories

Examples of relevant business management theories, tools and techniques include:

- Decision trees as a planning tool and as part of *RDM*’s decision-making process.
- Employer-employee relations: potential influence of labour relations at *RDM*.
- Motivation theory, especially as *RDM*’s workers are clearly motivated by different things (line 78).
- Process innovations and product innovations (lines 93 – 94).
- Sources of finance, including loan capital and share capital (lines 115 – 116).

- Corporate social responsibility (CSR) and ethical business objectives and practices.
- Marketing strategies (line 119).
- Operations management planning (line 124), especially as RDM is considering investing in an additional production facility outside of the Czech Republic.
- Human resource planning (line 124).
- CUEGIS concepts (change, culture, ethics, globalization, innovation and strategy) and how these link with leadership and decision making at RDM.

Award [1 – 2 marks] for an answer that shows some understanding of at least two tools, techniques or theories, but these are not developed, or if there is no use of the additional stimulus material.

Award [3 – 4 marks] if at least two relevant tools, techniques and theories are clearly understood and developed, with clear application of the additional stimulus material.

Criterion B: Application

Award [1 – 2 marks] for an answer with some limited context/application, but an answer that is not developed. The use of reasoned arguments is limited.

Award [3 – 4 marks] if the relevant tools, techniques and theories are applied well to the context of the RDM case study and the additional stimulus material.

Criterion C: Reasoned arguments

Award [1 – 2 marks] if the answer shows some limited arguments, but these are not justified. There may be limited, if any, application of the additional stimulus material.

Award [3 – 4 marks] if relevant arguments are justified/substantiated and there is use of the additional stimulus material. The arguments are discussed in a balanced way, and a conclusion is drawn as to whether the recommended approaches are likely to work.

Criterion D: Structure

The assessment criterion awards marks for an introduction, a body, a conclusion, and fit-for-purpose paragraphs, written in a logical structure.

Award [1 – 2 marks] if either three elements are present, or the answer is mainly organized in a clear way.

Award [3 – 4 marks] if all four elements are present, i.e. the answer is clearly organized.

Criterion E: Individuals and societies

Stakeholders that might be considered include: Jan Radeki de Dovic, the CFO and other executives, family members (shareholders), employees and suppliers.

Award [1 – 2 marks] if one group or individual stakeholder of RDM is considered appropriately, or if both individual and group stakeholders are considered, but in a superficial way.

Award [3 – 4 marks] if two or more individuals and group stakeholders are considered in a balanced way. There is effective application of the additional stimulus material.

Also, when awarding the marks for each criterion, refer to **pages 65 to 68** of the Business Management Guide.

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 and theories, as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques or theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or breadth.
4	Good knowledge and understanding of relevant tools, techniques or theories is demonstrated.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not developed.
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

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

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

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 writing comprised of:

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

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individual and societies

This criterion assesses the extent to which the candidate is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.