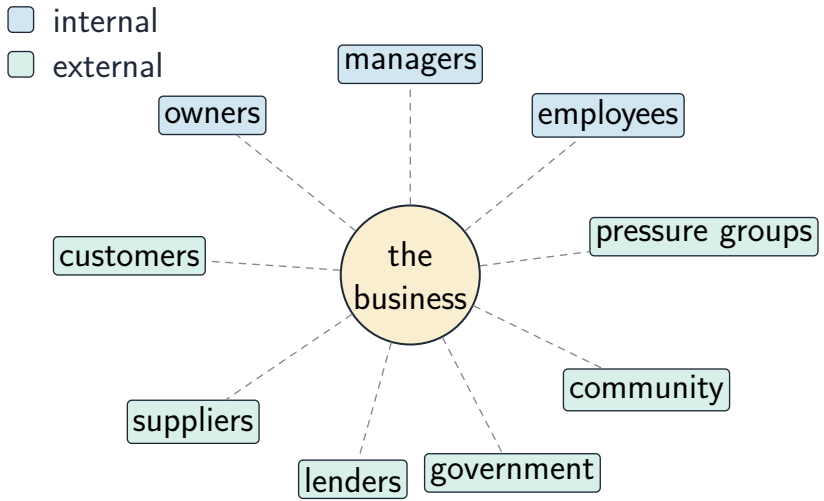
Exercise walk-through

1.2
Stakeholders, growth and multinational companies

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Figure: Stakeholders



- A business at the centre linked to **internal stakeholders** (owners, managers, employees) and external ones (customers, suppliers, lenders, government, community, **pressure groups**)
- Match each part of the diagram to the text.

Sources for this lesson

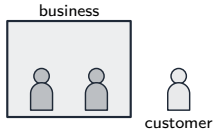
- International Baccalaureate, *Business Management guide* (first assessment 2024).
- BYD Company Limited, annual reports 2022 and 2023, and its company history.
- National Bureau of Statistics of China, *China Statistical Yearbook* (employment by sector).
- UNCTAD, *World Investment Report* (multinational companies and foreign direct investment).

Common errors (2)

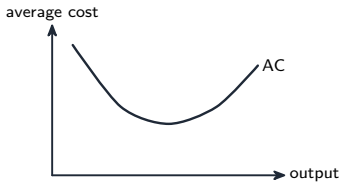
- Mixing up vision and mission: the vision is where the business wants to be; the mission is what it does now, for whom and how.
- Listing stakeholders without saying what each one wants, or why their interests conflict in the case.
- Stating that growth always lowers costs; past a certain size **diseconomies of scale** raise average cost.
- Giving only the good effects of an MNC; the question always wants both sides and a judgement about this **host country**.

Exercises 2.1·2.2

2.1 Distinguish between internal and external stakeholders. [2]

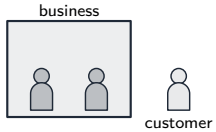


2.2 Define **diseconomies of scale**. [2]



Exercises 2.1·2.2

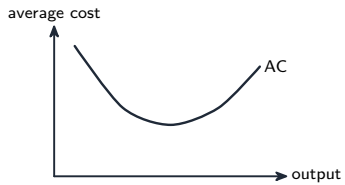
2.1 Distinguish between internal and external stakeholders. [2]



2.1

internal stakeholders are members of the organization, e.g. employees, managers, shareholders; external stakeholders are outside it but affected by it, e.g. customers, suppliers, the government

2.2 Define **diseconomies of scale**. [2]



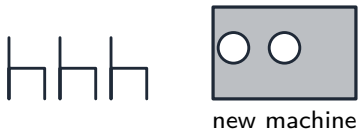
2.2

a rise in average (unit) cost; as the firm grows beyond a certain size / output

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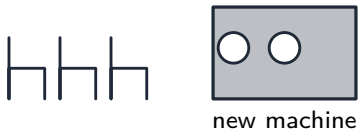
Exercise 2.3

2.3 A furniture maker produces 1 000 chairs a month at a total cost of \$50,000. After buying a larger machine it produces 2 000 chairs at a total cost of \$80,000. Calculate the average cost per chair at each level of output, and explain **one** economy of scale that could explain the change. [4]



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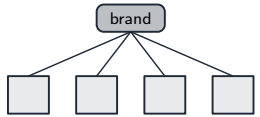


2.3

$50\,000 \div 1\,000 = \$50$; $80\,000 \div 2\,000 = \$40$; technical economy: the larger machine produces more chairs per hour, spreading its cost; or purchasing economy: bulk discounts on wood; explained in context

Exercises 2.4·2.5

2.4 Explain **one** advantage and **one** disadvantage for a restaurant brand of growing through franchising. [4]

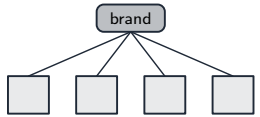


2.5 A car maker faces these changes: (i) young buyers prefer car-sharing apps; (ii) battery costs are falling; (iii) the government will ban new petrol cars in 2035; (iv) higher interest rates make car loans dearer. Identify the STEEPLE factor for each. [4]



Exercises 2.4·2.5

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2.4

advantage: fast growth using franchisees' capital, with income from fees and royalties; disadvantage: less control over quality and service, so one poor franchisee can damage the brand

2.5 A car maker faces these changes: (i) young buyers prefer car-sharing apps; (ii) battery costs are falling; (iii) the government will ban new petrol cars in 2035; (iv) higher interest rates make car loans dearer. Identify the STEEPLE factor for each. [4]



2.5

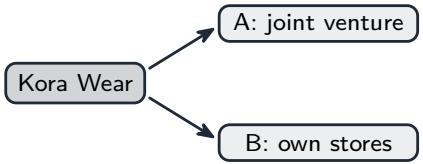
(i) social; (ii) technological; (iii) political or legal; (iv) economic

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Exercise 3.1 (a)

3.1 Kora Wear is a clothing retailer with 40 stores in its home country. Strengths: a well-known brand, low-cost suppliers. Weaknesses: an old online shop, rising debt. It wants to enter a large neighbouring market. Option A: a joint venture with **Mallo**, a local retailer with 200 stores. Option B: organic growth by opening its own stores there, one at a time. Local fashion firms worry about the new competition.

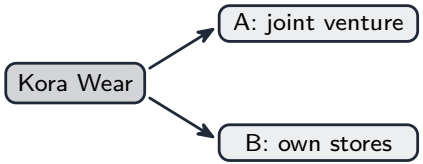
(a) Construct a SWOT analysis for Kora Wear's entry into the new market. [4]



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(a) Construct a SWOT analysis for Kora Wear's entry into the new market. [4]



(a) one relevant point in each box, from the case: S: well-known brand / low-cost suppliers; W: old online shop / rising debt; O: a large new market; Mallo's 200 stores and local knowledge; T: local competitors; differences in tastes; possible exchange-rate or legal changes

Exercise 3.1 (b)

3.1 Kora Wear is a clothing retailer with 40 stores in its home country. Strengths: a well-known brand, low-cost suppliers. Weaknesses: an old online shop, rising debt. It wants to enter a large neighbouring market. Option A: a joint venture with **Mallo**, a local retailer with 200 stores. Option B: organic growth by opening its own stores there, one at a time. Local fashion firms worry about the new competition.

(b) Discuss whether Kora Wear should choose option A or option B. [10]

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(b) Discuss whether Kora Wear should choose option A or option B. [10]

(b) award up to [10]: joint venture: fast access to 200 stores and local knowledge of tastes and rules; shares costs and risks, useful given rising debt; but profits are shared and there may be disagreements or culture clash with Mallo; organic growth: full control of brand and profit, keeps the culture; but slow and costly, each store financed by Kora alone; risky with rising debt; stakeholder view: local firms and Mallo's staff may react differently; judgement linked to the case: e.g. the joint venture suits a firm with debt and no local knowledge