Solutions

Marking: **M1** a correct method, **A1** the correct answer, **B1** an independent mark.

Each answer shows the steps, then the **result**.

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

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

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

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

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

3.1

(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

(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

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