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UPDATED TO 2022 SYLLABUS

**CAIE A2 LEVEL
BUSINESS (9609)**

SUMMARIZED NOTES ON THE MODEL ANSWERS SYLLABUS

1. # May/June 2021 variant 32

1.1. Inolla

After graduating from university with a degree in product design Li-chun worked for a leading manufacturer of electric cars. However, Li-chun had always wanted her own business. Li-chun found her journey to work by bus and foot time consuming and wondered if there was a better way for people to commute in busy cities. She researched various options before deciding that there was a gap in the market for lightweight foldable scooters with an electric motor. In 2011 Li-chun set up Inolla as a private limited company in country Q to manufacture electric scooters

A market opportunity

Inolla's sales have grown rapidly in country Q, a country in Asia with a large urban population. Inolla targets commuters with advertising on buses and trains. It also uses social media and viral marketing campaigns.

Inolla's range of electric scooters are of high quality and are premium priced. Battery technology is constantly improving so each model is updated frequently. Over 60% of sales are through the internet but Inolla also distributes its scooters through bicycle shops and three of its own retail units. Inolla also exports to 10 countries in Asia using agents based in those countries.

Market research conducted by Li-chun in 2018 found that millions of dollars had been invested globally in shared micromobility businesses. In the shared micromobility market, customers rent scooters or bicycles to make short journeys. Inolla now wants to supply to businesses that operate in the shared micromobility market.

Li-chun has designed a new electric scooter to sell to businesses in the shared micromobility market. She has set a corporate objective to achieve a market share of 5% in Asia within two years. This would require a 400% increase of Inolla's current annual sales volume. Li-chun recognises that to achieve her target, it is necessary to:

- increase production
- develop a new marketing strategy

Operations close to capacity

As sales have increased, Inolla has recruited more factory employees. However, the factory is now operating at over 90% capacity and Li-chun forecasts that full capacity will be reached by the end of 2021. The factory site has room for expansion and this would cost \$10m. Li-chun believes that external finance would be available but is concerned about Inolla's high gearing. Alternatively, Inolla could convert to a public limited company to finance a much larger expansion to build a new factory in country P where labour costs are much lower than country Q. This would enable Inolla to meet its sales target for the shared micromobility market.

Without a new factory, Li-chun believes that Inolla will need to subcontract some production in 2022. She has identified a manufacturer in country P with a factory that has the capacity to fulfil Inolla's demands. The manufacturer has a good reputation for quality and already supplies one of Inolla's competitors. However, there has been recent negative publicity regarding the poor working conditions at this factory.

A change to human resource management?

Li-chun is concerned that there is declining workforce performance in Inolla's own factory. Labour turnover has increased and productivity has decreased from a high of 2000 scooters per employee per year in 2019. Quality control inspectors ensure that the finished electric scooters meet the high quality standards set by Inolla. However, inspectors are identifying more faults that need correcting before the scooters meet the required quality standard. Further data is provided in Table 1.

	2019	2020
average number of factory employees	30	40
number of employees leaving during the year	6	12
number of days lost through absenteeism per employee	6	8
monthly output of scooter	5000	6000
percentage of units requiring fault correction	2%	2.5%

Neten has been the Operations Manager since 2017 and uses a 'hard' approach to human resource management. Employees are given training in the specific skill they require. Neten sets weekly production targets and tells employees a week in advance which shift they will work. Employees have demanded the right to join a trade union. However, Inolla has refused to give permission. Production line employees are paid country Q's minimum wage to keep costs low. Li-chun is convinced that Neten's approach to managing employees has contributed to the declining workforce performance.

product recall

In April 2021, there were reports that the batteries of two Inolla scooters had caught fire. Fortunately, there were no serious injuries but many customers have been phoning Inolla's customer services department concerned about the safety of their scooters. Li-chun was surprised by the problem as she was certain that quality control at the factory was effective. She contacted her battery supplier to check how this could have happened. At the start of May, Inolla issued a product recall for all scooters produced since the start of 2021.

Improving Efficiency

Inolla holds inventory of components to ensure that production is not disrupted. Components are imported from a number of other countries. Batteries are the most expensive part of the scooter and these are imported from country P. Li-chun is considering investment in an enterprise resource planning (ERP) system to improve the efficiency of operations. She has approached a specialist ERP supplier which estimated an investment cost of \$1m and projected net cost savings shown in Table 2. The specialist advised Li-chun that the ERP system would need replacing after approximately six years.

year	net cost savings (\$000)	discount factors at 6%
1	300	0.94
2	400	0.89
3	450	0.84
4	500	0.79
5	500	0.75
6	500	0.71

Economic environment

The economic environment is changing in country Q. Unemployment has decreased to 3.8% and economic growth is forecast to average 5% per year in the next three years. The government is concerned about the threat of inflation and is expected to increase interest rates before 2022. Country Q has an appreciating exchange rate and this is expected to continue over the next two years. Li-chun has asked her finance manager to evaluate how these changes might affect Inolla.

corporate planning

Li-chun last conducted a full strategic analysis in 2018. As a result of that strategic analysis Li-chun decided that Inolla, as part of its growth strategy, should target businesses that rent out scooters in the shared micromobility market. A summary is shown in Table 3.

<p>Threat of new entrants</p> <ul style="list-style-type: none"> high economies of scale technology is relatively cheap some companies produce their own scooters 	<p>Power of buyers</p> <ul style="list-style-type: none"> market dominated by a small number of shared micromobility businesses renting scooters
<p>Power of suppliers</p> <ul style="list-style-type: none"> a few suppliers control the market for batteries there are multiple suppliers of other components for scooters 	<p>Threat of substitutes</p> <ul style="list-style-type: none"> shared micromobility businesses have other options for short journey rentals including bicycles and electric bicycles ride sharing apps public transport and taxis

Li-chun also commissioned a Porter's Five Forces analysis of the competitive environment in the shared micromobility market. An extract is shown in Table 4.

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2. # Analyse the impact of Inolla of two changes in the economic environment in country Q [10]

- Economic environment are the external factors and influences that impact the operation of the business activity. [*here by defining the key word economic environment we are able to get knowledge marks.]
- The country Q has expected to have economic growth of 5% per year for the next three years. This means the GDP level of the country is rising, this would cause incomes of the consumers to increase. Thereby the increasing purchasing power would lead to higher demand levels for the electric scooters. Therefore, Inolla could enjoy greater revenue and profits as she prices her scooters at a premium price. This would help Inolla to obtain the 5% market share in Asia as per the corporate objective ,Thus enabling Inolla's growth strategy to fall into place.
- Country Q is currently facing a low unemployment level of 3.8% this means that there are few people who are considered unemployed; those who are willing and able to work who aren't in job. Although this would be good news as more people in Q have sufficient income to afford an electric scooter adding to the rising demand for Inolla, this also means that it is now more difficult to recruit workers due to low unemployment. Hence, any new workers they recruit for the new factory will have to be above the national minimum wage in order to ensure that workers aren't drawn to work for competitors and to avoid the labour turnover rising. This hence would make Inolla less competitive if this rise in wages is reflected into prices in the prices of the electric scooters in the shared micromobility market.
- Rising interest rates as a response to inflation will affect expansion plans. Inolla might need to obtain loans if they were to invest in an enterprise resource planning system (ERP) which costs \$1m in hopes of improving the efficiency levels. The rising interest rate will make cost of finance more expensive, leaving less profits available for Li-Chun. Therefore the net cost savings in table 2 may not actually be representative of this change hence is misleading.
- Appreciation of the country Q's currency means that the price of country Q's currency is rising against the currency of another country. Therefore this would mean that export prices of Q will will increase and the import prices will decrease. If the currency is appreciating this would make the price of exporting electric scooters much more expensive, Inolla exports to 10 countries in Asia by the means of agents who will add their own profit mark up. Will the customers still continue to purchase at such a high price? Hence making Inolla uncompetitive. However this may be compensated as appreciating currency

means cheaper imports prices making it favorable to import the batteries from country P therefore making costs cheaper leading to a higher profit margin.

- [*the first question usually only focuses on analysis and application marks which we have done here by linking the economic change to the business and applying it to the case; like mentioning the premium price or mentioning their plans for an ERP and link it to rising interest rates] [keep in mind that only two changes are asked in this questions]

3. # (a) Refer to Table 1. Calculate for 2021

Year	Net cost savings (\$000)	Discount factor at 6%
1	300	0.94
2	400	0.89
3	450	0.84
4	500	0.79
5	500	0.75
6	500	0.71

3.1. (i) labour turnover

Equation : number of employees leaving/average number of employees x 100

Labour turnover for 2020 : $12/40 \times 100 = 30\%$

(ii) labour productivity

Equation : annual output/employees

annual output is found by 6000×12 which is 72000

hence labour productivity is $72000/40 = 1800$

3.2. (b) You may refer to your results to 2(a) and other information. Assess the effectiveness of Inolla's approach to human resource management (HRM). [12]

- Human resource management is the strategic approach to the effective management of an organisation's workers so that they help the business gain a competitive advantage.
The role of HRM includes recruitment and selection appraisal of employees, workforce planning and training. It is also important to distinguish between hard and soft HRM. Hard HRM includes treating employees as a cost, While soft HRM Includes focusing on training and development, which is a more democratic style of leadership.

- Inolla has been said to use hard approach to HRM which may be beneficial as decisions are taken more quickly and Inolla is more responsive to changes hence less time is taken to make the decisions. Having to consult the 40 employees throughout the factory may actually lengthen the decision making process and make it much more complicated and time consuming as a result. This approach would be more suitable for decisions that are time sensitive for instance the issue in April when two scooters caught fire, Li-chun would need to make quick decisions to amend the issue without delay. In this case having to take employees opinions may be inappropriate. However, hard approach to managing employees may negatively impact Enola as this may demotivate employees. As their opinions aren't considered in the decision making process, Hence alienating some employees. Which would explain why Labor turnover has increased from 20% to 30% And productivity has fallen by 200 scooters for employee. It is also important to consider. How far the hard approach to HRM reduces costs and how important it is to control costs to competitiveness as quality may be forgone in this process. Perhaps by including employees in the decision making process may make matters worse especially if they are not qualified enough to form an opinion on that matter.
- Furthermore hard approach to HRM, May be beneficial as It recognizes that some employees may respond positively to being directed orders and giving supervision. There may be better control over performance as giving weekly production targets may give some sense of direction to the employees. This can be linked to McGregors theory X workers where workers are lazy and unmotivated in that case hard approach or autocratic is most suitable. Employees are given training for a specific skill Would make them more prepared For the job they would undertake. And thereby make less errors and faults in in the production of scooters. However, new employees may take time to be recruited and training them would reduce productivity and increase unit costs. The increased labour turnover maybe a sign that workers aren't happy with this style of management. Failure to recognize the trade union conflict may result in further disruption to production. This could therefore affect the brand image of Inolla and hence affect the sales. As they have already gained negative image due to poor working conditions at the factory. Therefore, considering the above argument. It will be advisable if Inolla could adopt a more softer approach to human resource. By for instance Conducting employee counseling sessions or briefings that includes their Input and opinions In setting the weekly production targets. This would make the employees feel more recognized and included in the organization thereby improving workforce performance . although a bottom top approach to setting the targets may be more realistic there may be an issue of slack where th4e employees may purposefully set low and achievable targets.

- Other factors :

Other factors will need to be considered to identify the source of the declining workforce performance. Labor turnover may be due to the 5% economy growth meaning that workers can find better opportunities or better paying work elsewhere.

On the other hand, unions may prove to be useful to Inolla as it provides a useful communication channel between the employees and the employers, hence reducing disruptions and grievances within the workforce as they are able to voice out their concerns. This would as a result improve the absenteeism rates and reduce the labor turnover. However, Trade unions may argue to pay above minimum wages. This may increase costs of electric scooters hence, forgoing competitiveness in the market. But if this is met with improved performance and productivity, this may actually reduce unit costs of producing scooters. If Inolla could ensure that by providing proper training therefore ensuring productivity would improve and unit cost could essentially be kept well below competitors.

4. # Evaluate whether Inolla will need to change its marketing strategy to increase sales to businesses that rent out scooters in the shared micromobility market [16]

Marketing strategy tends to outline how it intends to achieve its marketing objectives, through the use of marketing mix which are product price promotion and place, and marketing budget available. Since Inolla is planning on selling to the shared micromobility market, she would need to change the strategy in order to suit this new market.

she is selling to businesses in the shared micromobility market, essentially a B2B business model as opposed to their original strategy of selling through the internet, and retail outlets. Li chun would have to make the electric scooters much more durable as more people are going to be using it rather than just the end customer. The businesses operating in this market are said to be highly competitive as found out by the extensive market research done by Li, therefore Inolla would have to make their scooters stand out perhaps by developing a USP (Unique Selling Point) by making them highly durable and long lasting relative to their current scooters.

However, by trying to make the electric scooters more durable, this may increase the cost of making them and

hence selling them at a marked up price which may not be competitively set thereby losing sales hence lowering chances of achieving the 5% market share target. If Li can ensure to develop a cost effective and durable scooter battery, these businesses would realize although the high initial cost the payback may be much sooner than other electric scooters.

Price may also need to be adjusted before entering this market as identified previously this is a highly competitive market and prices will need to be set inline with competitors, setting electric scooters at a premium price may be inappropriate. Inolla would also need to consider that since National minimum wage is set to increase in 2019 mentioned in table 3, this would significantly increase the cost of production which might make scooters more uncompetitive if no action is taken to increase productivity. It is important to have a clear pricing strategy as this is a new market for Li and hence she will have to consider all factors such as if the scooters sold to these business will need servicing and hence the costs associated with that will also need to be decided. It may be necessary to offer services if other competitors are offering it as well, but will there be a need for servicing if the electric scooters are made durable in such a way servicing is not required?.

Li will need to form a new promotional strategy as we are dealing with selling to businesses, therefore persuasive advertising may not be appropriate in this case as businesses will be more interested in the product specifications such the battery power, the materials used in the exterior of the scooter, if there are any safety mechanisms and other important details, hence informative advertising is more suitable. Inolla would have to use other means of promotion like trade shows, email marketing, trade industry press, website, production of brochures for potential customers. Businesses in the shared micromobility market are more likely to see Inolla in these promotions rather than in social media. To save costs Inolla could also promote these scooters on their website as well with detailed product specifications. However, Li chun would need to conduct a market research before drawing up a marketing strategy as this is a new market in which Li does not possess enough experience in. Inolla could also employ sales people to go to these businesses and pitch their offer to, a truly skilled salesperson may be also build relationships with these businesses and earn their trust and convince them to buy from Inolla rather than them having to produce their own scooters. Personal selling may help in forming long term contracts to supply electric scooters to them therefore helping them achieve 400% increase in annual sales. Not all the elements of the marketing strategy will need to be changed for instance the place can remain the same which is selling through the internet or the product can also be the same given durability and life of battery can be extended. On the other hand, it is important to consider the marketing budget before drawing up a marketing strategy. The marketing budget may be restricted by the funding required if Inolla were to increase output by extension or a new factory to be built. Therefore Inolla may need to consider

sources of finance such as converting to a public limited company as loans would just increase the already high gearing, is Li willing to give up a percentage of her ownership to obtain funds?. The extent and effectiveness of the new marketing strategy would depend on how much Li is willing to dish out as the budget as during her market research Li found out that millions were invested hence would it be wise for her to do the same?

5. # (a) Refer to lines 72–74 and Table 2. Calculate the:

lines 72-74 : She has approached a specialist ERP supplier which estimated an investment cost of \$1m and projected net cost savings shown in Table 2. The specialist advised Li-chun that the ERP system would need replacing after approximately six years

Year	Net cost savings (\$000)	Discount factor at 6%
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5	500	0.75
6	500	0.71

5.1. (i) accounting rate of return (ARR)[4]

formula : annual profit (net cash flow)/initial capital cost or average capital cost x 100

working :

profit : 300 + 400 + 450 + 500 + 500 + 500 = 2650

2650 – 1000 = 1650 is the total profit over the useful life,

average profit per year should be found by dividing it by 6

1650/6 = 275000

therefore ARR is 275000/1000000 x 100 = 27.5 %

(ii) payback [4]

year	cashflow	cumulative cashflow
0	(1000000)	(1000000)
1	300000	(700000)
2	400000	(300000)
3	450000	150000
4	500000	650000
5	500000	1150000
6	500000	1650000

Therefore since in year 3 the cashflow covers the remaining investment only partly we have to find the month in which this amount is covered by doing the following

300000/450000 x 12 = 8 months

Hence it takes 2 years and 8 months for payback.

5.2. (b) You may refer to your results to 4(a) and other information. Recommend whether Inolla should invest in enterprise resource planning (ERP). Justify your recommendation [12]

Enterprise resource planning refers to the use of a single computer application to plan the purchase and use of resources in an organization to improve efficiency of operation. Due to declining operations efficiency, Li is considering investing in an ERP, before doing so we should consider certain factors.

It would be beneficial to have such a system as it would help with inventory control. Currently Inolla is facing a situation of 90% capacity, by using an ERP system this would help with clearing out any unnecessary stock build up and ensure that they can have greater capacity as less inventory of electric scooters are held, thereby facilitating the rapidly growing sales in country Q. This system would hence support the introduction of JIT which reduces stockholding costs, ERP would also help in sourcing low cost and reliable suppliers of component parts and battery, hence the success of implementing this system would also depend on the reliability of the suppliers in country P to deliver as per schedule.

Furthermore ERP will also help reduce costs significantly, storage costs may drop and as per table 2 suggested by a specialist supplier, net savings are expected to only increase every year. Payback is also almost half the replacement period of 2 years and 8 months, earning an NPV of \$1141000 which is positive and considers the time value of money and noticeably over the investment cost itself, ARR is also at 27.5% is good news as this suggests the annual profitability compared to the investment is good. However, it is important to consider how legible is this supplier? Can we trust the figures that have been presented. It depends if the data from table 2 have been adjusted to include the increase in interest rate that's expected increase due to inflation as well as the appreciating currency of Q, these changes would significantly affect the costs and operations of Inolla as we've identified in question 1.

It may not be beneficial on the other hand to have an ERP system due to the significant costs that it would pertain. We would have to consider the initial \$1 million investment, does Inolla have the funds to pay out of their retained earnings? External financing could be considered here but would the banks agree to give out loans to a business with high gearing? This might be unlikely. Further Li would also need to consider the cost of having to train the workers at Inolla to work with these computer systems however these training costs may be included in the net savings. Having to install this software may take time and hence cause disruptions to the production process of making electric scooters at the factory, this short term disruption may cause loss of output and therefore loss of sales of scooters especially due to the

increasing scooter demand which Inolla may miss out on, it is important to consider how long installation would take and to what extent will the normal business operations be affected as ERP coordinates and links support systems which may be extensive and time consuming to set up.

In conclusion it would be overall better for the business to implement ERP as it links the departments of Inolla together, therefore it can allow for effective sharing of information between departments allowing them to form an integrated approach to achieving the corporate objective of 5% market share in Asia within two years. By having an ERP it would've avoided the battery catching fire in April 2021 as Li would have been able to check in with the effectiveness of their quality control and avoided the situation entirely by addressing the poor quality control. Hence it is highly advisable to go ahead with this given that other measures such as Kaizen or Quality circles have also been considered to increase efficiency.

- Other factors: Impact on employees Resistance to change from employees. There is already a conflict as Inolla has refused to give permission for the right to join a trade union, this may make situations worse and result in a strike which would disrupt the production and cause more damage to the image of Inolla along with the negative publicity of poor working conditions as well as the faulty scooters, therefore it is best advised to get the opinion of the employees and provide as much as information possible to involve them prior to implementation, however since Li has been using a hard approach it may conflict with his leadership style but Li might put a change to that as mentioned in question 2. Will specialist IT employees be required and how expensive is that?

6. # Evaluate whether Inolla should subcontract production of electric scooters to solve the problem of insufficient capacity. [16]

Subcontracting is when the business brings in a second business to fulfill part of or all of the output of the electric scooters. Due to the increasing popularity of electric scooters shown by the increasing sales, Inolla has reached over 90% of their capacity and forecasted that by the end of 2021 it would full capacity highlighting an issue of capacity constraint. This is where there is insufficient room available in the factory to expand production. If demand were to increase substantially. One way Li-chun would counter this issue would be to subcontract.

Subcontracting a manufacturer in country P, it would add to flexibility to Inollas production of electric scooters as the level

of productions can be increased or decreased as per the seasonal demand. This would also help Inolla to achieve their corporate objective as 5% market share in Asia within two years which would require a 400% increase in the current level of sales volume. This would otherwise be nearly impossible unless Li could finance the expansion of a new factory which would cause the already high gearing to worsen.

However, by subcontracting part of the electric scooter production, issues in relation to quality of the electric scooters may arise. Although this manufacturer in question has a good reputation for quality, would they match up to then quality of Inollas original scooters? It has to be considered if the difference in quality would be acceptable to the customers. The shared micro mobility market is quite competitive and if the quality isn't in par with previous quality standards set by inolla then customers would simply switch to competitors which would result in loss of market share as well as brand image.

Moreover, it is important to consider the lower risk attached to subcontracting as there is no assurance that moving into the micro mobility market would prove to be a success, therefore in the case that this expansion into the shared micro mobility market didn't help achieve the 400% increase in sales, they could terminate the contract and resume operations as usual thereby saving any costs of expansion or finance costs if they had decided to loan out the \$10m.

In addition to this subcontracting would also result in short term cost saving in relation to expanding into a new factory. This would benefit Inolla as the manufacturer in P would be benefitting from economies of scale and thereby they might charge far less prices than if the production was done in house, hence resulting in greater profit margins for the electric scooters. However, it is also possible that since the subcontractor would also need to make a profit they would also add a profit margin before charging Inolla hence making this comparatively costly. Furthermore there has also been a recent bad publicity issue with regards to the poor working conditions at this factory, would this affect the brand image of Inollas scooters? Since the electric scooters are promoted as high quality and premium priced, customers would not be happy to find out about the unethical subcontractor's actions, this would discourage sales of inolla as a result it would lead to an ineffective entry to the shared micro mobility market. We should hence try to identify if the customers are more concerned about prices or quality and ethical stand point.

Inolla may also consider other options to solving the issue of insufficient capacity such as converting to a public limited company to finance the new factory in order to accommodate the set target of achieving the 400% increase in current sales volume, in other words to increase sales by 4 times the current level of output of 6000. This would give more control over the quality of Inollas electric scooters rather than subcontracting and avoiding any negative publicity attached to the manufacturer in P. although we have identified that in the short run it may be cheaper to subcontract, it is however important to note that in the long

run expanding into a new factory might be cheaper in the long term as Inolla would have the controls over cost and better achieving economies of scale later on. When deciding this, it's crucial to consider the attitude of Li to making Inolla public as it is made clear that she has always wanted her own business and by going public she is essentially no longer the sole owner unless she is able to maintain a 51% equity, this also opens up the risk of hostile takeovers as competitors may try to reduce the level of competition by buying out Inolla. If she does decide to make the company public she will also need to hold an AGM and the other shareholders will also have a say in how Inolla will be run thereby taking away Li-chuns complete controllability.

In conclusion when deciding whether or not to subcontract it is important to analyse the terms of the contract as to how flexible the subcontracting will actually be to Inolla and whether this will make a significant impact. The reliability of the manufacturer should also be looked into as any delay in the supply of electric scooter may lead to loss in potential sale and may even inconvenience the customer thereby giving a bad impression and deter them from future sales from Inolla. Having said that perhaps Inolla should carefully consider the terms of the contract before subcontracting as, this way of improving the insufficient capacity would be quicker than having to build a factory and lose potential sales during the construction time. Since sales are rapidly growing in Q for electric scooters time is of the essence and the quicker they manage to meet the customer demand, the better their market share would be and hence they would be closer to achieving their corporate objective.

7. # Evaluate the usefulness of strategic analysis techniques in identifying future growth strategies for Inolla [20]

Strategic analysis (SA) is the process of conducting research into the business environment within which an organization operates and into the organization itself to help form future strategies. The techniques used in strategic analysis include SWOT, PEST, Boston Matrix, Porters 5 forces and core competencies.

SWOT looks at the internal strengths and weaknesses and external opportunities and threats, this gives Inolla a good view on what they'll need to improve on such as the low inventory turnover but also keep using their strengths like the innovative designs and quality in order to promote a better reinforced image of Inolla. Using SWOT is useful as Li can identify the areas that needs to be addressed and hence reduce the risks facing Inolla. For instance, had she not identified that there was limited capacity she wouldn't have

thought of expanding into a new factory without losing on potential sales of scooters which would lead to Inolla being unable to meet customers requests at short notice leaving them unsatisfied. Similarly, Inolla could look at the strengths that they possess and ensure that they don't forgo those in the efforts of reducing the high unit costs, as trying to source cheaper components for the scooters might leave customers unhappy if the quality or design is different from the original. Therefore, since Li had identified that there is growth in the shared micro-mobility market she was able to take advantage of that opportunity and design new electric scooters catering to that market and expand their market holding as a result. Having said that Li could also use SWOT to identify the external threats and take measures to minimize its effects on the operation of the business. Li has identified that there are larger global competitors and hence this would help inolla to take appropriate strategic plans in competing with them like building on the strength previously mentioned of innovative designs and effectively promoting the scooters perhaps through a viral campaign, thereby effectively contributing to the growth of Inolla.

However, making these decisions based on the SWOT prepared by Li may have its own limitations. This SA was conducted in 2018, which is almost three years ago. Since the market Inolla operates in has proven to be volatile and subject to changes most of this information may effectively be outdated as there is also the threat of inflation and increase in interest rates expected to happen over the coming years and not to mention the appreciating exchange rate and the imposed effects that would have in the 10 countries in Asia already identified in question 1, has Li accounted for these changes?. Furthermore, the whole of SWOT analysis may be subjective in itself, as what Li may have deemed to be a strength may be a weakness in another manager's point of view. For instance, Li identified that low labour turnover was a strength but it could be argued to be a weakness as since being innovative is essential for the industry Inolla operates in, new people coming in may actually help in competing with the larger global competitors as new people would bring in better and new ideas as well as improved work practices.

Another useful SA techniques used by Li-chun is the porters five forces in Table 4. This gives a view on the competitive environment that helps Inolla in making decisions about the shared micro-mobility market by looking at factors such as power of buyers, threat of substitutes, barriers of entry and competitive rivalry. By looking at these factors overall it would help Li to make decisions about the market they plan on entering and reduces the risks of failure as they are being proactive and looking at threats and addressing them before it gives rise to operational disruption. If we look at the threat of new entrants, Table 4 mentions that there is high economies of scale, this suggests that since the average cost of producing is falling, more individuals would want to enter this market as it's a cheaper investment as financing the technology is relatively cheap, thereby increasing competition which would lead to prices falling for the shared micro-mobility industry and hence leading to falling profit

margins. We can conclude that there is a high risk of new entrants. This would hence push Inolla to ensure their scooters stand out from these new entrants and establish themselves with a loyal customer base in country Q and the rest of the countries in Asia. Power of buyers is relatively high as there are only few businesses that rent out scooters in the shared micro-mobility market meaning that they would be able to switch to supplying competitors scooters instead of Inollas unless Li is able to convince them otherwise.

Moreover, although there are multiple suppliers to source components of the scooter Li has identified that there are only very few that control the supply of the batteries. Therefore, it is very likely that they are able to charge a high price for their battery, Inolla wouldn't have a choice in this case as the battery technology gets updated quite frequently and they can't afford switching suppliers for something that's considered a core element of a scooter to function. This would therefore give a stronger hold on Inolla as it may not be easy to switch to another battery supplier.

All these factors would help Li decide whether or not to enter as the profitability can be judged. Decisions regarding whether the firm should stay in this market with the knowledge gained they can develop strategies that can improve their own competitive position through differentiation, buying other electric scooter suppliers, focusing on less competitive segment and perhaps consider colluding with rivals in order to secure future growth.

However, the five force model only analyses the industry at one moment in time; static analysis, and the shared micro-mobility as this was done in 2018 which was 3 years ago making this outdated and hence may need to be revised. Li chun was said to have commissioned the porters five forces analysis, it is important to consider the level expertise that would've gone into forming this document and the validity and usefulness will need to be looked into as in the case that minimal expertise went into this it would discredit the information in table 4 and therefore would lead to incorrect decisions based on this.

Therefore, before making a decision on their growth strategy, Li would greatly benefit if she looked into other SA techniques such as PEST analysis which looks into the external environment that looks into Political, Economical, Social and technology. Looking at these factors, Li would get a better understanding of the shared micro-mobility market and the more current factors affecting it and take decisions that help overcome PEST issues and adapt. The increasing interest rates would give them a heads-up to avoid debt financing but they could consider putting some investments into banks to get a greater return. However It should be noted that using PEST may also have its limitations as it doesn't provide the entire picture of what's happening in the market although it may provide useful insight.

Therefore having said that SA techniques alone may not solely contribute to the strategic growth of Inolla, Li would need to use strategic analysis and strategic implementation techniques in order to ensure that strategic growth is made successful. For instance using the Ansoff matrix managers could show the degree of risk that is associated with the

growth strategies; market penetration, product development, market development and diversification. This may help in analyzing the degree of risk and hence applying a decision making technique to assess the cost, potential gains and the risk associated, therefore as Li is targeting a new market that is supplying to businesses in the micromobility market who rent it out to customers to use to make short journeys and Li has also designed a new electric scooter to supply making this a new product, this could be considered market development as it is more or less a similar type of product they are familiar with. However it doesn't direct a business to one particular strategy therefore its usefulness is quite limited.

Another strategic choice technique that can be used is force field analysis, which is where Inolla could identify the positive and negative factors that would support the decision to enter this market, this would give a full view of the current situation and what situation they aim to achieve. By listing out all the factors that drive the change they could consider strategies in the aims of overcoming constraints such as adjusting the prices of scooters to meet with the rising prices and rising demand in the country as well as to consider the minimum wage set to increase in 2019, they could perhaps try to add in features that don't add to much to cost but add value to the electric scooters such as having room to store belonging If not already included. However unskilled or inexperienced managers may not identify all the relevant forces involved in the change process and hence may impede the decision making as a result.

Having said that it is also crucial to ensure the success of future growth strategies by having a contingency plan(CP), this is where the business prepares resources for an unlikely situation to minimize the impact of any disaster. It could be noticed that Li did have a contingency plan in place to minimize the negative publicity that would've arisen has she delayed the action to recall all the scooters. The incident took place in April and only in may did she decide to recall the scooters which was a good move and hence would've prevented any more serious injuries. This quick response from Inolla may earn the customers trust back as they are trying to keep them safe after all. It is important to note that preparing a contingency plan would take quite a lot of time as a lot of factors would need to be considered not to mention the cost into implementing these safety measures and having to constantly review and update it. However, It is more of a reassuring measure as staff and customers concerns for safety are made a priority. The level of expertise and cost gone into preparing a CP would have to be looked into.

In conclusion, although SA techniques are quite useful to the strategic growth of Inolla, on its own would not prove to be as useful to support a decision. How well the SA, strategic choice and implementation all work well together and how consistent and complementing of a mix, ensuring one doesn't conflict with another. The level of expertise and cost of formulating the strategic management would have to be looked into closely. Inollas attitude to risks will also need to

be considered as entering a new market such as the shared micro mobility market would pose to have great risks especially since they may not be quite experience enough to compete with the larger global competitors, having said that if they have an established corporate plan before entering and along with the appropriate strategies clearly detailed it would contribute their success in this market and achieving their corporate objective of 5% market share in Asia.

8. # Evaluate the significance of corporate planning in reducing risk as Inolla continues to grow [20]

A business plan is a written document that describes a business, its objectives and its strategies, the market it is in and its financial forecasts while corporate planning is a methodical plan containing details of the organisation's central objectives and the strategies to be followed to achieve them. By drawing up a corporate plan, It would bring about massive benefits to the growth of Inolla.

A corporate plan would give direction and sense of purpose to the directors at Inolla, giving them a clear focus into what they should be trying to achieve. by setting a corporate objective of a market share of 5% of Asia within 2 years they are giving both a directions as to where the business should be in 2 years and setting a time limit would also motivate the directors to come up with appropriate strategies to achieve this objective. This would also be motivating to the employees as they are striving to achieve the same objective collectively as everyone else hence improving productivity. We can see this when Inolla saw it necessary to plan forward inorder to deal with the insufficient capacity by evaluating whether subcontracting or expansion would be a good strategy. By doing this before Inolla were at 100% capacity it gave them time to meet the increase in demand for the scooters and avoiding the negative publicity. Therefore, enabling them to come up with ways to grow the operations whilst minimizing risk of overtrading. Having a corporate plan would also act as a means of controlling and reviewing staff, Li-chun would cross check the performance of her staff and evaluate whether or not they have performed favourably and if the performance don't align with the objectives then corrective action can be taken as a result as in the case of achieving the weekly targets set by Neten.

However it should be kept in mind that coming up with a proper plan might not always work out as the business environment that Inolla operates in is of a volatile nature. Therefore expansion may not be successful in the event that the economy goes into an unexpected recession such as the one caused by the Covid-19 pandemic with whole cities under lockdown. During these times it would be highly unlikely that people would be riding scooters outside hence

planning wouldn't necessarily eliminate any risk it would only reduce it to a certain extent.

Moreover, having a corporate plan would also prove to be useful as a process in itself as it motivates directors as well as manager to analyse the current environment the business is in, which in other words would be referred to as strategic analysis such as PEST and SWAT techniques. By doing so Inolla is able to anticipate changes in the market and thereby make appropriate strategies inline with these changes. for instance, the SWOT analysis prepared by Li-chun in 2018 would give a good picture of the internal as well as external factors to consider when targeting the shared micro-mobility market. By doing so they are able to identify weaknesses such as low inventory turnover and try to improve the marketing of their scooters or provide discounts to improve the turnover. Similarly, by looking into the external threats such as the increase in the minimum wage in 2019 thereby enabling them to plan by ensuring that the workers are paid over the minimum wage and are happy with their pay as it has come to Li's attention that perhaps using 'Hard' approach to managing the human resource may not be the most effective as shown by the increase in employee turnover by 10% discussed in question 2(b). this rise in pay of production workers would hence translate to increase in the prices of the scooters as a result and in that case Inolla would need to ensure that the prices remain below that of direct competitors in country Q and If it is higher perhaps they could market it to higher income individuals who are willing to pay a premium price for higher quality. Therefore this would lead to minimizing of the risks as they would be prepared for the increase in prices and hence given the right price was charged it would lead to increase in the value of sales revenue.

However, it would be useful to consider the cost and time that would have gone into formulating a corporate plan as such. The greater the detail and analysis that goes into this type of planning the more costly this process would turn out to be. The cost that went into commissioning the porters five forces in table 4 as well as the time that would have been spent in conducting the SWOT analysis in 2018 prepared by Li-chun would need to be looked into. If the cost of preparing this had exceeded the benefits Inolla would gain from this planning then it may not be worthwhile and Li may be better off planning in a more cost effective way. Having said that, without a proper plan Inolla would not have a direction in which they would be headed to and objectives to achieve thereby restricting the growth of the business.

When the batteries of two Inolla scooters caught fire in April 2021, a contingency plan would have been useful in mitigating the negative publicity that would arise from such an occurrence. A contingency plan is where the business prepares resources for an unlikely situation to minimize the impact of any disaster. Although there was some evidence of a CP where Li-chun issued a product recall and call to her battery supply to investigate the issue effectively slowing the negative response, it was only in May that she started the product recall which was almost a month later and there might have been a risk where the damage was already done.

A quicker response would have made the customers less worried as there have been many phone calls in the customer service department concerned about the issue. It may have also benefitted Inolla to provide some sort of compensation to the customers affected in order to appease them and hence they would be less likely to file charges. Similarly a CP could be applied to different situations that are likely to happen such as a fire incident and providing for a fire extinguisher and escape route, this would minimize any further risks and thereby give the business a much more responsible company and mitigating any further damage to reputation. An added advantage would also be a lesser fee on insurance as Inolla can be seen taking necessary steps to safeguard the assets insured against.

On the other hand it is also important to keep in mind that only the more likely situations should be accounted for. If the manager prepares for a situation that is unlikely to take place such as a meteorite hitting the premises, then he/she would be wasting valuable time and money on the CP. Therefore it would be useful to monitor and review the CP and make relevant changes to it as and when necessary since the market is rapidly changing.

In conclusion, as important as having a corporate plan is in growing a business, it is also important to follow up with an effective strategic choice and strategic implementation. How well the strategic management elements; strategic analysis, choice and implementation are all connected and complement each other in order to promote growth and reduce the risk of the business failing. For instance it would be fairly useless if they spent months working on a plan when the managers at Inolla aren't as competent in carrying out in line with the plan. It is important that the skill and experience of the workforce of Inolla are up to industry standard of scooters as this would also give them a competitive advantage over the towering rivals. Furthermore, the validity and reliability of the information used in formulating the corporate plan should be carefully looked into, as well as the relevance. Has Li commissioned the porter's five forces from a trustworthy agent? If so is the information on it any relevant as it dates back almost 3 years ago in 2018, as the industry is volatile would it be worthwhile basing strategies off of that analysis?

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Business (9609)

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