

Solutions

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Business Studies

**An Introduction to the
St. Galler Management Model**

4th edition

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Introduction – 1 From need to demand – Solutions

pp.18–19

1

a

Need	Examples
Existence need	Clothing, medical care, warmth, sexuality
Safety need	Protection against threats, stability
Social need	Belonging to groups (family, friends)
Esteem need	Reputation, prestige, respect
Self-actualization need	Development of one's personality

b Maslow's hierarchy of needs illustrates the interconnection among the various needs. Thus, in order for a higher-level need, such as the need for luxury products, to arise, lower-level needs, such as existence and safety needs, must be satisfied first.

In societies where these needs are not satisfied to a certain extent, it follows that there will be little or no demand for luxury products.

- c
1. LoveScout24 is an Internet site designed to facilitate connections between life partners. Consequently, it satisfies primarily social needs, like the need for partnership and love. Such needs are classified in the third level of Maslow's hierarchy of needs.
 2. Ostensibly, it deals with satisfying the existence need to "not freeze to death." You could, however, buy a cheaper jacket that would satisfy this need almost or just as well. In fact, the purchase of the Nike jacket also involves social and esteem needs. If you are honest with yourself, you will probably admit that it involves – along with any possible increase in quality – being respected by your colleagues.

2

		Existence need	Elective need	Individual need	Collective need
a	Florian wants a PlayStation.		×	×	
b	Sabine loves movies and is excited about the new multiplex.		×		×
c	Politicians call for a second highway tunnel at Gotthard.		×		×
d	Ursi spends almost every other weekend at her vacation home.		×	×	
e	Luca attends the second year of primary school.		×		×
f	In addition to her schoolwork, Corina goes to a private Spanish tutor two hours a week.		×	×	
g	Kevin works out four times a week at the gym.		×		×
h	A refugee family is provided with essential clothing.	×			×

3

- a The need is perceived as a deficiency symptom – in this case, a lack of or a need for entertainment. This deficiency can be satisfied with a visit to the cinema. The need to go to the cinema, when backed by sufficient buying power, equates to the want. When operationalized on the market through the selling of a cinema ticket, the want becomes demand.
- b The term disposable income is generally understood as the amount of income that remains available for spending and saving, after direct taxes and social security contributions are deducted. Disposable income is thus a key factor in buying power.
- c Apart from disposable income, other factors affect an individual's purchasing power. Examples include income level, accumulated wealth, currency differences (for example, when importing goods or shopping in neighboring countries), the absolute price level (monopolistic markets vs. perfectly competitive markets), and the price level over time (inflation causes prices for products to rise, meaning the consumer can buy less with the same amount of money).
- d **Possible solution:** Max is in high school and feels a need to get from St. Gallen to Wil [need for mobility]. The enterprise SBB (Swiss Federal Railways) recognizes that Max and many other people who don't have a driver's license or otherwise aren't interested in driving a car have a lack of mobility that they want to eliminate. SBB thus offers a transport service [offering] by providing a railway network, personnel and trains.

Other possible solutions for the offerings of an enterprise:

- Bicycle manufacturer Haibike offers bikes and e-bikes.
- Motorcycle manufacturer Piaggio offers motorcycles.

e Individual solution. Suggestion:

(1) Need

- Elderly people face a **lack of safety in crossing streets** [lack]
- because they are no longer so **sure on their feet and cars are racing around at 50km/h**. Therefore, the danger is great that they may be run over or run into. [Reason for lack, concrete problem]
- The elderly still want to cross streets and not just stay at home. [Desire to address lack]

(2) Relationship between need and offering

- The enterprise "Street Crossing" recognizes this need [need recognition]
- and is convinced elderly people have the buying power to afford a good or service and that many older people have this need. [Buying power available, possible to earn money]

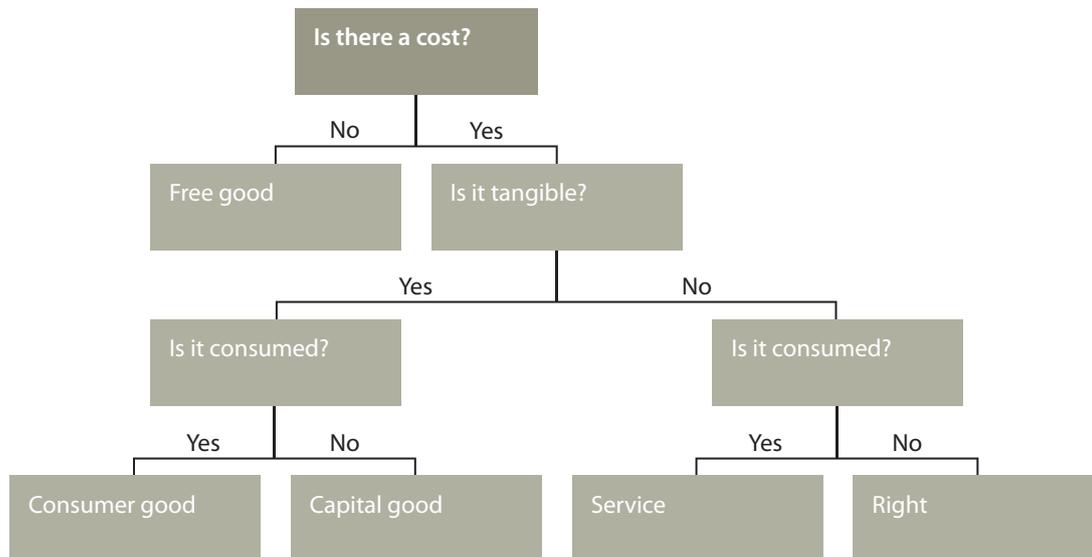
(3) Offering

- "Street Crossing" produces reflective vests and walking sticks [production]
- and sells these two goods in shops located close to retirement communities. [offering, market]
- Thanks to the vests, elderly people can be better seen by drivers, and thanks to the walking sticks, they can cross the road faster, which reduces the danger. [Describe solution]

Other possible offering:

A service where individuals help the elderly across the street or use a sign to stop traffic.

4
a



b

		Consumer good	Capital good	Service	Right
1.	A printer buys powerful new printing presses.		×		
2.	Fritz purchases heating oil for his home.	×			
3.	Karl wants to go on holiday to Mallorca. He goes to a travel agency for a consultation.			×	
4.	The Kauer family buys a table for their living room in a furniture store.	×			
5.	A printing facility buys black ink for newspaper production.		×		
6.	A bank manages Vera’s personal assets.			×	
7.	Stefan buys a new computer for school.	×			
8.	Mr. Müller, an architect, buys a computer for drawing his plans.		×		

c Services of doctors, civil servants, teachers, banks, restaurants, insurance companies, travel agencies, lawyers

- d 1. The possible arguments arise primarily from the delineation of the actual product of a safari:
- If the viewing of animals alone is considered the product, it can be argued that the core service is still free and open. The economic, non-free good, however, is the guided tour, the vehicle, the drive, the knowledge and experience of the tour guides, and the quick and unerring pointing-out of the best views.
 - If the safari as a whole is considered the product, it could be argued that people have long undertaken their own journeys of discovery through the African wilderness. The safari was then, consequently, a free good. Only with the increased needs of society, such as the desire for comfort on such a trip or the increased need for security, has the safari been turned into an economic good.

Introduction – 1 From need to demand – Solutions

2. There are also several aspects of water as a product that can be raised in the argument for or against its development into an economic good:

- Delineation of the product: In the case of tap water, customers are primarily charged for the connection and maintenance of the water lines, not for the water itself.
- National differences: In most African countries, water is largely an economic good because drought and water shortage are the norm. In most Western countries, however, sufficient water supplies are still available.
- Distinction among types of water: Treated water is mostly an economic good, while lake, river and rainwater are usually free, subject to certain restrictions, such as low levels in reservoirs or the use of public water in times of drought.

5

	Situation	Solution/Reason
a	A service enterprise wants to fulfill all customer orders but also save on labor costs.	Minimum principle: Given result: fulfill all customer orders Lowest possible use of resources: low wage expense
b	Petra wants to buy a pair of tennis shoes, so she goes to different stores in search of the best deal.	Minimum principle: Given result: buy a pair of shoes Lowest possible use of resources: low price
c	A truck driver wants to travel as far as possible on a tank of diesel.	Maximum principle: Given allocation of resources: 1 tank of diesel Greatest possible result: longest distance
d	A pizza delivery service wants to keep the driving distance for all ordered pizzas as short as possible.	Minimum principle: Given result: deliver all ordered pizzas Lowest possible use of resources: shortest driving distance
e	A transport firm would like to achieve maximum utilization of its available vans.	Maximum principle: Given allocation of resources: stock of vans Greatest possible result: maximum turnover
f	Tina wants to get home from her vacation in Ticino as quickly as possible.	Minimum principle: Given result: Distance to cover Lowest possible use of resources: shortest amount of time
g	Jelena uses her free time for studying in order to achieve the best possible grades.	Maximum principle: Given allocation of resources: free time Greatest possible result: good GPA
h	Ferid tries to do as much laundry as possible with 100g of detergent.	Maximum principle: Given allocation of resources: 100 g detergent Greatest possible result: maximum washes

Introduction – 2 The activity of an enterprise – Solutions

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1

Example	Value added
Insurance	Sale of insurance solutions
Cereal farmer	Harvest and sale of grain
Carpenter	Manufacture and sale of furniture
youtube.com	Awareness and revenue from advertising (through provision of the platform)
Carmaker	Design, production and sale of cars

2

a

Goals	Examples
Economic goals	<ul style="list-style-type: none"> • Increase profit by 10% • Save on the cost of production materials • Save time in the production process • Increase sales by 15% • Expand cheese sales
Ecological goals	<ul style="list-style-type: none"> • Buy only organic products • Reduce waste products • Clean with only biodegradable products • Save energy • Use greener transport methods
Social goals	<ul style="list-style-type: none"> • Increase employee satisfaction • Improve working conditions • Reduce unpleasant emissions • Reduce workplace accidents • Improve employee qualifications

b Individual solution. Suggestion:

Relationship	Goals
Harmonious	<ul style="list-style-type: none"> • Increase profit by 10% • Reduce waste products • Save energy • Reduce workplace accidents • Improve employee qualifications
Neutral	<ul style="list-style-type: none"> • Increase employee satisfaction • Increase sales by 15% • Clean with only biodegradable products
In conflict	<ul style="list-style-type: none"> • Save on the cost of production materials • Buy only organic products • Improve working conditions • Save time in the production process • Reduce unpleasant emissions

Introduction – 2 The activity of an enterprise – Solutions

3



4

Example	Use of the economic factors of production (for example)
Insurance	Labor: agents sell insurance to customer; experts review claims Land: physical location of office Capital: office, vehicles, computers for agents, invest. capital, premiums
Grain farming	Labor: tilling the fields and harvesting of the crop Land: fields, seeds Capital: machinery, farm
Carpentry	Labor: planning, construction and sale of an object Land: Physical location of workshop, wood Capital: machinery, stored wood
youtube.com	Labor: preparation and monitoring of the Internet platform Land: physical location of offices Capital: computers and server equipment
Carmaking	Labor: planning, construction and sale of vehicles Land: physical location of factory Capital: factory, production line, bank accounts

5

- a The bank grants credit to the enterprise in exchange for the payment of interest.
- b Private households make savings available to the bank in exchange for the payment of interest.
- c Enterprises pay taxes. In return, government allocates public spending, subsidies, procurement.
- d Private households provide enterprises with the factors of production in the form of labor, land and capital and receive compensation in the form of wages, land rents and investment income. Households then pay to purchase the items manufactured by enterprises.
- e The foreign nation imports goods produced by the enterprises and pays for them.

- 6**
- a Economics
 - b Business
 - c Economics
 - d Business

Introduction – 3 Types of enterprises – Solutions

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1

	Economic sector
a	Tertiary sector (services)
b	Tertiary sector (services)
c	Secondary sector (industry)
d	Tertiary sector (services)
e	Primary sector
f	Secondary sector (industry)

2

Preliminary remarks:

- Large enterprises tend to render services that belong to different sectors and industries. Thus, only a rough classification can be made.
- The overview should show that the variety of different companies and services is made visible throughout the book.

Chapter	Pg.	Enterprise name	Sector	Industry
1 From need to demand	12	Hotel Laudinella	Tertiary	Hospitality
2 The activity of an enterprise	20	Appenzeller® cheese	Secondary	Mfg./industrial
3 Types of enterprises	31	"Phone-Help"	Tertiary	Sales and repair
A Model overview	39	Kebab stand	Tertiary	Hospitality
B1 Environmental spheres	57	SWISS	Tertiary	Transportation
B2 Stakeholders	69	"Cycle AG"	Secondary	Mfg./industrial
B3 Business ethics	80	"Smoke Forever"	Secondary	Mfg./industrial
C1 Strategy introduction	91	easyJet	Tertiary	Transportation
C2 Types of strategy/ business plan	102	"Spring Water"	Secondary	Mfg./industrial
C3 Location of an enterprise	116	The Kraft Heinz Company	Secondary	Mfg./industrial
C4 Make or Buy	122	"Safe Vehicle"	Secondary	Mfg./industrial
C4 Make or Buy	122	"French-Cuisine"	Tertiary	Hospitality
C5 Forms of cooperation	130	"Dr. Muster's medical office"	Tertiary	Health care and social work
C7 Structure – Org. forms	154	ABB	Secondary	Mfg./industrial

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Chapter	Pg.	Enterprise name	Sector	Industry
C8 Culture	182	Novo Nordisk	Secondary	Mfg./industrial
D1 Functions of management	198	“Walthy AG”	Secondary	Construction
D2 Management styles	206	“Gruher AG”	-	-
D3 Corporate Governance	215	Swissair	Tertiary	Transportation
D4 Materials management	228	BMW Group	Secondary	Mfg./industrial
D5 Production process	242	BMW Group	Secondary	Mfg./industrial
D6 Environmental management	259	«Walterson Genuss GmbH»	Secondary	Mfg./industrial
D7 Marketing overview	271	Zweifel Pomy-Chips AG	Secondary	Mfg./industrial
D8 Product policy	288	Bang & Olufsen	Secondary	Mfg./industrial
D9 Pricing policy	298	Coop	Tertiary	Sales and repair
D10 Distribution policy	316	JUST International AG	Secondary	Mfg./industrial
D11 Communications policy	327	H&M	Tertiary	Sales and repair
D12 Brand management	340	Unilever Group – Knorr	Secondary	Mfg./industrial
D13 Customer relationship management	348	Walbusch	Secondary	Mfg./industrial
D14 Financial accounting	357	«Bäckerei Sonniger AG»	Secondary	Mfg./industrial
D15 Cost accounting	371	«Bäckerei Sonniger AG»	Secondary	Mfg./industrial
D16 Financing	388	SITAG AG	Secondary	Mfg./industrial
D17 Leasing	398	«Druckerei Bergengut AG»	Secondary	Mfg./industrial
D18 Investments	405	“Farmer Niklas Franke”	Primary	Farming
D19 Accounting reporting, financial analysis and business valuation	427	“KitchenMaker AG”	Secondary	Mfg./industrial
D20 Enterprise reporting	443	Volkswagen Group	Secondary	Mfg./industrial
D21 Human resource management	455	Migros	Tertiary	Sales and repair
D22 Risk management	471	Lufthansa	Tertiary	Transportation
D23 Company law	480	“Tutoring enterprise”	Tertiary	Education and instruction

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Chapter	Pg.	Enterprise name	Sector	Industry
E1 Enterprise optimization	523	Toyota	Secondary	Mfg./industrial
E2 Enterprise renewal (innovations)	534	“Schoko AG”	Secondary	Mfg./industrial

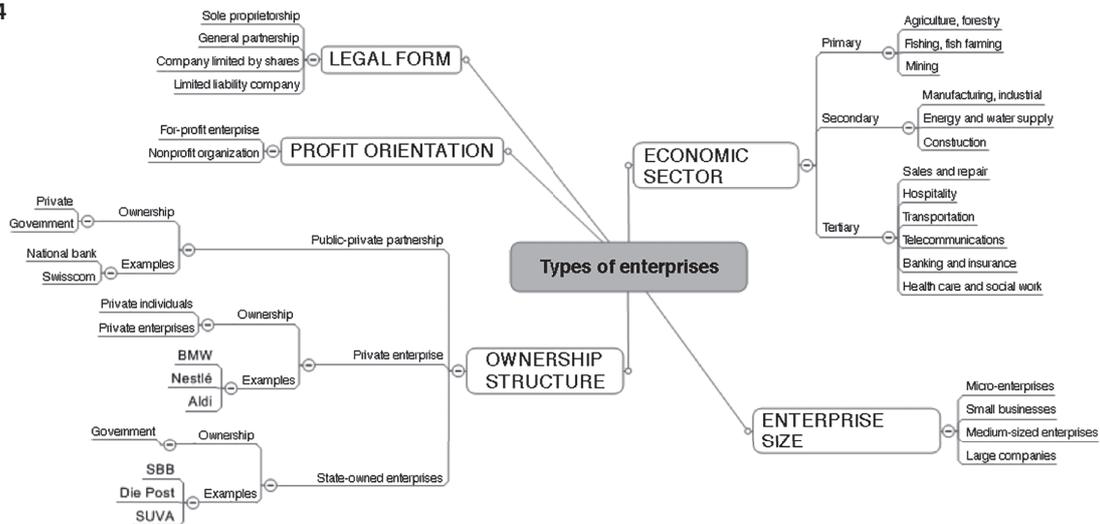
3

Individual solution. General arguments:

Pro	Con
<ul style="list-style-type: none"> • Security of supply • Planning ability • Budget is always present • Promotion of outlying regions 	<ul style="list-style-type: none"> • Profitability is not always a given • Competition does not play a role • The most cost-effective solution is not always chosen • Economic principle is not always applied

In considering the role of the state as an enterprise, the main issue is the question of a planned economy versus a market economy. This question provides an opportunity to establish a relationship to the disciplines of history and economics.

4



Introduction – 3 Types of enterprises – Solutions

5

	Sec.	Industry	Size	Ownership	Profit or.	Leg. form
Bühler AG, Uzwil	2.	Industrial	≥ 250	Private enterprise	For-profit enterprise	Comp. lim. by shares
St. Galler Kantonalbank	3.	Banking and insurance	≥ 250	Pub.-private partnership	For-profit enterprise	Comp. lim. by shares
Hofmann-Gartenbau AG, Winterthur	1.	Gardening	< 50	Private enterprise	For-profit enterprise	Comp. lim. by shares
Schweizerischer Samariterbund	3.	Health care, social work	≥ 250	Private organization	Nonprofit organization	Association
1A Bahnhof Taxi GmbH, Zug	3.	Transport	< 10	Private enterprise	For-profit enterprise	Lim. liab. company

A1 Model overview – Solutions

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1

Models help to illustrate a complex reality in a simplified form. They help recognize connections and gain an overview. In addition, a series of models can allow to derive explanations and place forecasts.

2

- It serves an orientation function in order to gain an overview.
- It shows conflicts of objectives (for example between stakeholders)
- It serves as a basis for decisions by making clear any causal relationships.
- It reduces complexity in everyday business.
- It provides a common vision, a common language for decision-makers.
- It makes possible an understanding of how an enterprise may interact responsibly and successfully with its environment.
- It allows for systematic classification of and response to current and trending issues in praxis.

3

The solution to this task can be found on the next page.

4

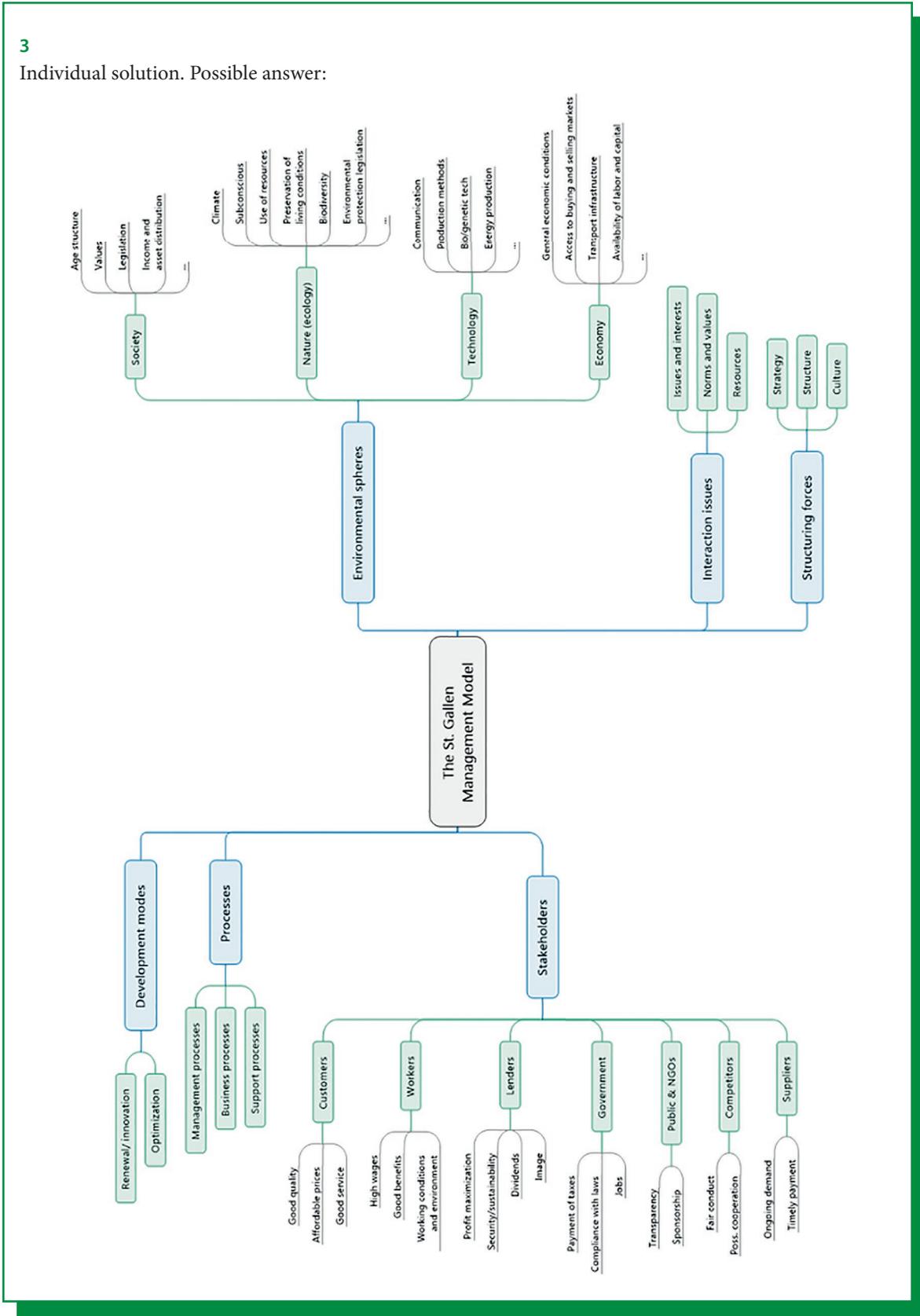
Group	Assignment	Cannot be assigned	Assignment after group exchange
Group 1	1d, 2a, 4f, 5b, 6c	3 & e	3n
Group 2	7j, 8k, 9g, 10l, 12i	10 & h	10t
Group 3	13o, 14q, 16m, 17p	15 & n	15e
Group 4	18u, 19v, 20r, 21s	22 & t	22h

A1 Model overview – Solutions

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3

Individual solution. Possible answer:



B1 Environmental spheres – Solutions

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1

Individual solution. Suggestions:

Changing age structure: Use marketing activities to appeal to the older segment of the population as an important target group; special offers for senior citizens – for example, group travel

Working parents: Align opening times to workers' hours

Better quality of life: Promote sustainable travel; offer shuttle service to the airport

Saving time: Expand online services: allow online bookings, digitize vacation catalogs, publish audio and video materials about various deals on the homepage so customers can inform themselves

Trend toward the new: Specialize in little-traveled holiday destinations (e.g., Alaska, Antarctica); post podcasts on holiday regions on the website; create a discussion forum where customers can share their experiences; newsletter dedicated to new offers

2

Individual solution.

Solution proposal from the automotive market:

Peugeot

- Develop environmentally friendly technologies (hybrid vehicles and full-electric models)
- Recycling strategy for product development: Development and introduction of material cycles for vehicle production
- Reforestation in the Amazon
- Develop innovative solutions to reduce fuel consumption and CO₂ emissions (quickshift technology in order to shift gears sparingly; stop and start-system turns the engine off automatically when the vehicle stops; reduced measures, particulate filter)

Further information at: www.peugeot.ch, www.peugeot.com

smart

- Uncompromisingly electric
- Small, light vehicles with high energy efficiency and high range
- Use of innovative techniques (such as an intelligent connection between smartphone and smart using the smart EQ control App, voice command) and materials
- Recycling of used vehicles
- Use of environmentally friendly building materials for the construction of factory buildings
- Modern design and bright colors

Further information at: www.smart.com

Solution proposal from the cosmetics market:

MAC Cosmetics (An Estée Lauder brand)

- Mission Statement: "All Races, All Sexes, All Ages"
- Target is to serve all customer groups

B1 Environmental spheres – Solutions

- Leading make up brand for private use and professional stylist use
- Highest quality and hygiene standards
- Competitive environment for employees
- Support for men, women and children affected by HIV/AIDS since 1994
- MAC Cosmetics only implements animal testing under certain conditions (legal requirements of individual countries such as China) and advocates against animal cruelty. Here for, MAC Cosmetics supports the American “Institute for In Vitro Sciences” (IIVS) by providing research funds.
- The Back2MAC program promotes sustainability: for every six empty MAC Cosmetics packaging units a customer returns to an official MAC Cosmetics retailer, they are gifted a lipstick of choice (minimising Package waste).
- Generally, MAC Cosmetics does not provide many insights on their sustainability efforts (lack of transparency)

Further information at: www.comparibly.com; www.maccosmetics.com

Lush Cosmetics

- “Fresh Cosmetics”: according to own statements Lush uses the freshest ingredients possible to ensure the vitamins unfolding their effect on the consumers hair and skin.
- “100% vegetarian”: Lush solely uses vegetarian ingredients for its produce. 80% of Lush’s products are vegan.
- “Ethical Buying”: the “Ethical Buying team” is in charge of the purchase of ethical base products and the development of sustainable packaging. During this process, a strong bond is developed to the involved communities and the involved people.
- “Handmade”: Lush’s products are all hand made. The furniture inside the Lush stores are made of unique and reused wood.
- “Naked”: In order to ensure the minimisation of packaging waste, Lush sells a number of products directly from its shelves – free of packaging.
- Lush supports the fight against animal cruelty and thus makes sure, their suppliers waive animal testing. In 2012 Lush initiated the Lush Prize Program supporting scientists, researchers and lobbyists working on alternatives to animal testing, rewarding the winner with GBP 25,000.

Further information at: www.lushusa.com

3

- a For the small travel agent that is only active locally, online shopping creates more risks than opportunities. In today’s travel industry, more and more vacations are booked online. Big chains such as TUI have already adapted to this trend and now offer online reservations; however, this presents a major challenge for small travel agencies such as Scorpio. The construction of own electronic platforms requires the commitment of significant financial resources (high fixed costs).
- b Zara has effectively used the technological revolution of the Internet and the related emergence of online store. The fashion enterprise has already been doing business in international markets for many years. With the establishment of online stores on almost every continent, the enterprise has been able to successfully implement its expansion strategy and cover even remote areas.

B1 Environmental spheres – Solutions

4

Industry	Impact on ...	
	Service recipients (customers)	Service providers (enterprises)
a Banking	<ul style="list-style-type: none"> • Digitization enables convenient e-banking from home around the clock. • Different offers are easy to compare online (alone or via comparison portals). • Constant tracking of stock market prices is possible. • New technologies provide greater flexibility but also require greater skills (such as paying by smartphone). • New investment and financing opportunities. • The risk of fraud increases. 	<ul style="list-style-type: none"> • Cost savings by consolidating IT systems and centralizing processes. • Existing customer potential can be better exploited by intelligent processing of existing information (for example, personalized offers). • Pressure increases as customers are informed, shrinking any potential advantages in terms of knowledge. There is a high level of transparency facing toward the customer. • New pay systems such as GooglePay, PayPal or Twint are entering the market for payment service providers and are endangering the business models of retail banks. • Cost pressure is increasing to adapt business models, IT systems must increase productivity. Small banks are disappearing or are forced to merge in order to bear the fixed costs of digitalization. • Demand for physical offices and cash machines is declining.
b Journalism	<ul style="list-style-type: none"> • Everyone can compile their own media and information. There is, so to speak, a personalized media world. • Customers are confronted with an unbelievably large amount of information and must/can sort themselves. • Information is no longer limited by geography. • Due to the internet and smartphones, everything has become visible and can be distributed worldwide (unfiltered). • Anyone can contribute in the sense of „participatory journalism“ and create, share, and like posts. • Risk of producing, rapidly spreading false reports. 	<ul style="list-style-type: none"> • More people can be reached and inspired very quickly in relation to public issues. • Information can be presented using multimedia, new possibilities to present figures and statistics in a more interesting format. • Journalists lose credibility because anyone can „play journalist“. • There is increased pressure to be current. Reporting is 24/7. • The willingness to pay for media has decreased. This leads to losses in advertising and subscription revenues. • Less revenue leads to cost savings, reducing media quality and diversity. • Informative journalism for shaping opinions becomes more difficult as diversity falls.

B1 Environmental spheres – Solutions

5

- a A leading global supplier is highly dependent on the international economy. When global markets face a downturn (recession), the sale of products becomes much more difficult. Therefore, in a global recession, Rieter must reckon with declining production orders. Under such circumstances, management must consider layoffs in order to secure the existence of the enterprise.
- b Diamonds are luxury goods that are very sensitive to economic cycles. A jeweler on the Zurich's Bahnhofstrasse would have a very international clientele, so it must reckon with declining sales in a global recession.
- c The demand for retirement home places is not a question of the economic situation. The Köniztal retirement home is therefore not likely to be greatly affected by a global recession.

6

Environmental sphere "society"	<p>Sociological aspects: Americans are the "shopping-center nation" of the world. The trip to the mall is almost a ritual that cannot be replaced by shopping online. On the other hand, Americans are known for their desire for convenience. Online stores, where you can just order from home, are therefore certainly quite welcome.</p> <p>Political aspects: Political unrest and other political influences are unlikely to be an issue in the USA.</p> <p>Legal aspects: The USA have a different legal system, which means that other legal bases for online retail must be considered when pursuing an expansion strategy.</p>
Environmental sphere "nature"	The topic of the environment and environmental protection is also present in the USA, though not nearly to the same extent in all federal states. By shipping products directly to consumers, individuals can reduce the number of trips they make by car.
Environmental sphere "technology"	The USA are one of the most technologically advanced countries in the world. The infrastructure needed for the maintenance and use of an online store platform is certainly to be found. The percentage of the population that uses computers is very good. This allows customers to shop from anywhere, at any time.
Environmental sphere "economy"	The environmental sphere "economy" is, for various reasons, central for a possible expansion of Zalando. On the one hand, many households in the USA already face heavy debts, which can lead to limited buying power in the coming years. On the other hand, Zalando must establish its brand and set itself apart from the large number of competitors that exist in the field of low-cost suppliers.

7

Individual solution.

B2 Stakeholders – Solutions

pp. 78–79

1

Stakeholder	Description of stakeholder	Stakeholder expectations of enterprise	Enterprise expectations of stakeholder
Investors	<ul style="list-style-type: none"> Provide enterprise with financial resources to make investments (distinction between equity and debt capital) 	<ul style="list-style-type: none"> Enhancement of enterprise value Interest payments Repayment of provided capital 	<ul style="list-style-type: none"> Uncomplicated and favorable conditions on the provided capital
Customers	<ul style="list-style-type: none"> Persons (natural and legal) who buy products and services 	<ul style="list-style-type: none"> Good value, price-performance ratio Good advice, services Large selection Minimal environmental and societal standards 	<ul style="list-style-type: none"> Frequent and expensive purchases Rapid payment of bills
Employees	<ul style="list-style-type: none"> Create products and services that the enterprise will offer in the market 	<ul style="list-style-type: none"> Fair wages Safe workplace Opportunities for participation Training opportunities 	<ul style="list-style-type: none"> Fast and precise work Sense of duty Flexibility
Public/NGOs	<ul style="list-style-type: none"> Citizenry Organizations Media 	<ul style="list-style-type: none"> Right to a say in matters To be heard Sustainability reports 	<ul style="list-style-type: none"> Communication Constructive and realistic solutions
Government	<ul style="list-style-type: none"> Confederation Cantons Municipalities 	<ul style="list-style-type: none"> Payment of taxes 	<ul style="list-style-type: none"> Good transport infrastructure Legal certainty
Suppliers	<ul style="list-style-type: none"> Supply raw materials, semi-finished products and services 	<ul style="list-style-type: none"> Fair prices Regular, early and large orders Timely payment of invoices 	<ul style="list-style-type: none"> Proper and timely deliveries
Competitors	<ul style="list-style-type: none"> Provide same or similar products or services in the market 	<ul style="list-style-type: none"> Compliance with patents and trademark protection No unfair competition 	<ul style="list-style-type: none"> Cooperation in industry associations with shared interests against government or NGOs

2

- a
- Environmental sphere “society”:
 - Political: Political uncertainties in Europe weakens the euro and strengthens the Swiss franc.
 - Legal: The federal constitution legitimizes and commits the National Bank to intervene in the economic development of the nation.
 - Environmental sphere “economy”: The dynamic in the capital markets compel the National Bank to intervene.

B2 Stakeholders – Solutions

- b • “Schmiedehauser Electronics AG” generates less revenue per battery sold, now only CHF 1,100, instead of CHF 1,200.
 - Profit is reduced by CHF 100 per battery.

c

Stakeholder	Demands
Investors	<ul style="list-style-type: none"> • Refrain from paying out dividends • Credit for building a new factory in the eurozone
Customers	<ul style="list-style-type: none"> • Pay invoices in CHF instead of euros (unlikely to be met)
Workers	<ul style="list-style-type: none"> • Cancel the annual Christmas party • Wage cuts (through terminations and new hires) • Pay cross-border commuters in euros • Fewer bonuses • Longer working hours (for example, working 1.5 more hours for the same pay) • Layoffs
Government	<ul style="list-style-type: none"> • Lower taxes, duties, and fees • Fewer laws (deregulation) • Increase the percentage of the export risk guarantee • Compensation for short-time work
Suppliers	<ul style="list-style-type: none"> • Lower purchase price for the battery cases

d Individual solution

3

a and b

Stakeholder	Demands
Students	<ul style="list-style-type: none"> • Competent teachers • Training and preparation for the future • Fairness
Parents	<ul style="list-style-type: none"> • Competent teachers • Training and preparation for the future • Controls • Low costs
Teaching staff and other employees (e.g., janitors)	<ul style="list-style-type: none"> • Adequate remuneration • Good working environment • Freedom in the design of instruction
Government (canton)	<ul style="list-style-type: none"> • Positive public feedback • Good training for students • Low education costs
Public (media)	<ul style="list-style-type: none"> • No code violations • Competent teachers
Other educational institutions	<ul style="list-style-type: none"> • Fair competition • Possible cooperation

B2 Stakeholders – Solutions

4
a

Stakeholder	Claims
Investors	<ul style="list-style-type: none"> • High profits • Security/low risk • Good image of the cinema • High return on invested capital
Customers (moviegoers)	<ul style="list-style-type: none"> • Latest movies • Large selection of movies • Affordable tickets • Parking available nearby • Good accessibility (also by public transport) • Short waiting times at the box office • Comfortable chairs • High quality picture • Clean theaters • Food and beverage service
Customers (movie club)	<ul style="list-style-type: none"> • Place to discuss movies • Reduced tickets for members
Customers (sponsors)	<ul style="list-style-type: none"> • Ads played before movies • Poster/ads near the box office
Employees	<ul style="list-style-type: none"> • High income • Good benefits • Safe workplace • Good working conditions • Pleasant working environment • Overtime pay for evenings and weekends • Not having to work weekends at least once a month • Not having to always work the late show
Public (local residents)	<ul style="list-style-type: none"> • Little noise pollution • No garbage • Appropriate parking solutions with enough spaces that cars won't circle the block and clog up traffic
Government (city)	<ul style="list-style-type: none"> • Image enhancement • Jobs • Appropriate parking solutions • Appropriate trash solutions • Punctual and full payment of taxes • Compliance with age requirements • Combo ticket for cinema and bus in cooperation with the municipal bus companies
Suppliers (film producers)	<ul style="list-style-type: none"> • Percentage of income from tickets • Feedback from moviegoers
Competitors (other theaters)	<ul style="list-style-type: none"> • Fair conduct • Possible cooperation • Not show the same movies • Ticket prices within a reasonable range

B2 Stakeholders – Solutions

b

Customers	↔	Customers
Customers want a good movie selection and long operating hours. These requirements increase the costs for the theater operators. The additional cost is likely to be passed on in ticket prices.		Customers want cheap tickets and food options.
Employees	↔	Customers
Workers want to earn a good wage. High labor costs increase ticket prices.		Customers want cheap tickets and food options.
Customers	↔	Residents
Customers want the theater to open early and close late.		Residents want as little noise as possible.
Investors	↔	Employees
Investors expect a high return on invested capital. The greater the theater's income, the higher the return on capital. High labor costs lead to a reduction in enterprise profits.		Employees expect a good wage and benefits.

5

Individual solution

B3 Business ethics – Solutions

pp. 87–88

1

- a integrative, as the commercial activity is oriented around service to society, independent of profit opportunities
- b charitable, as immediate profit maximization is the main goal and providing a portion of the profits to good causes comes second
- c instrumentalist/charitable, as “do good” is not most important for its own sake but contributes to a positive image when the enterprise works to “talk about it!”
- d instrumentalist, as moral behavior is seen not as an end in itself but with the purpose (investment) of being able to remain in the economy
- e instrumentalist, as moral behavior is seen not as an end in itself but as a means for acquiring capital

2

- a Ethics and business are incompatible, much like a ski lift does not belong in East Friesland. Moreover, one cannot prohibit the maximization of economic profit, just like one cannot forbid locusts to eat. Hinrichs regards ethics as incompatible with commercial activities, as constraint and as something that is useless.
- b Commercial activity and ethics are not a matter of “either/or” but of cooperation. It is through commercial activity that value should be created. However, ethics raises the question of what value should be created and for whom, to what extent and according to what priorities. In this case, the realization of investor profits represents an important value in business decisions – but not the only one. The question becomes what is reasonable for an enterprise that must hold its ground in market-based competition. To return to the example: Locusts acting in an ethical manner would not abstain from eating. They would, however, take into account the legitimate claims of other animals for nourishment in making this decision.
- c Bertold Brecht’s worldwide success in 1928 is a study on the deficiency of the bourgeois society living in poverty, mass unemployment, crime, corruption and prostitution. The focus lies on the competition between two criminal and ruthless businessmen as well as the exposure of their double standards. Brecht hurls the following sentence at the bourgeoisie: “Food comes first, then ethics”. This was meant to teach the hungry and poor moral from the high horse of welfare. By this, Brecht tries to express that it is easy to speak of morale when one lives in prosperity.

3

- a The enterprise opts to dispose of toxic solvents in the lake. It justifies this decision by focusing on profit maximization as the only relevant maxim. The enterprise feels that it is obliged only to investors and therefore chooses the cheaper disposal alternative.
- b The enterprise opts to dispose of toxic solvents in the lake. It bases this decision on the weak power that the fishermen and the environmental protection association hold over the enterprise and the demand that the enterprise make a profit, as disposal in the special landfill would have cost consequences for the enterprise.
- c The enterprise opts to dispose of the toxic solvents in the hazardous waste landfill. It bases this decision on the legitimate claims of the fishermen and the general public to healthy fish as well as the demands of the environmental protection association and the population for an intact environment. These claims are more highly valued by the enterprise than the additional costs of paying for disposal.

B2 Stakeholders – Solutions

4

a Stakeholder(s)	b Relevance	c Measures
<p>Teaching staff Students Parents These stakeholders have significant influence on the school itself but can also be influenced by the school. There is mutual dependency.</p>	<p>A</p>	<p>The school should work toward an open communications and information policy for these stakeholders. In addition, these three groups should be as involved as possible in what goes on at the school.</p> <p>Teaching staff:</p> <ul style="list-style-type: none"> • Decision-making power (teachers' organization) • employee appraisal • Freedom in the design of instruction <p>Students:</p> <ul style="list-style-type: none"> • Student organization • Have a say in the drafting of examination regulations • Student newspaper • Regular student surveys (course evaluations, satisfaction with the cafeteria, general atmosphere, etc.) • Extracurricular activities (theater, choir, orchestra, etc.) • Free choice of project and special weeks <p>Parents:</p> <ul style="list-style-type: none"> • Parents nights • Open house • Invitations to extracurricular activities at the school
<p>State (canton) This stakeholder has the power on its side and therefore has a huge impact on the school.</p>	<p>B</p>	<p>This stakeholder demands from the school accountability for its activities. Close collaboration with the education department is recommended.</p>
<p>Other employees at the school, such as janitors This stakeholder depends on the school.</p>	<p>C</p>	<p>These workers should be informed and involved.</p> <ul style="list-style-type: none"> • Participation in the use of rooms • Creation of building rules
<p>Other public education institutions No school is critically dependent on another school. The competition is low.</p>	<p>D</p>	<p>Exchange of information and opinions</p>

B2 Stakeholders – Solutions

5

a Strategic stakeholder concept

Criteria	Reason
Employee productivity	Significant contributor to current enterprise value added
Employee know-how and abilities	Significant contributor to current enterprise value added
Employee development potential	Expected to be a significant contributor to enterprise value added in the future
Employee mobilization potential (close contacts with unions, possibility of stirring up other employees against management)	Employee power or potential influence, which could pose a serious problem to the enterprise

b Normative-critical stakeholder concept

Criteria	Reason
Past performance	Not only the current or future performance but the past performance of persons whose performance has been declining (e.g., due to age or illness) should be considered.
Presence of a second income from partner	Test the existential reasonableness of dismissal
Chance of finding a new job elsewhere	Setting the goal that all previous employees must have or be able to find a new job
Ability to be educated or retrained	Setting the goal that all previous employees must have or be able to find a new job
Mental stability	Testing the psychological reasonableness and "ability to handle" a dismissal
Effects on third parties (such as family)	Testing the impact of a dismissal on other affected persons

6

a Individual solutions. Suggestion:

In addition to general school rules, we would act as snackbar operators according to the following principles:

Careful selection of suppliers and products

When selecting our suppliers and their products, we look, for environmental and social reasons, for the shortest possible transport routes as well as organic products from fair trade. In addition, the snackbar should not contribute any additional trash to the playground.

No discrimination

In the service of our customers, we will make sure to treat all customers equally, regardless of their appearance, nationality, age or gender. Any student who was here first will be served first. The prices are the same for all students. There are no discounts for friends. The non-discrimination policy also applies to the selection of the students who will run the snackbar.

No corruption

We will accept no gifts that are linked to the expectation of cheaper delivery of our products.

B2 Stakeholders – Solutions

b Individual solutions. Suggestion:

- Include the Code of Conduct on the Website/intranet
- Display the Code of Conduct in the school building
- Make the Code of Conduct part of contracts with employees and suppliers
- Violations of the Code of Conduct must be able to be directly reported to the snackbar operators

7

Individual solutions. Suggestion:

- Pay attention to origin when buying: Locally manufactured products have shorter transport routes and are, in the case of foods, seasonal (example: You cannot buy Swiss strawberries around Christmas, only those imported from South Africa).
- Buy organic products: Organic products, such as fruits, vegetables and cotton, are produced in a way that is more environmentally friendly than conventional products.
- Buy fair-trade products: Producers of fair-trade goods pay attention to the social sustainability of their businesses. The additional cost of fair-trade products is beneficial to suppliers in the countries where they produce.

These measures will help to increase the market share of sustainably produced goods: The greater the demand for such products, the greater the incentive for companies to consider social and environmental criteria when selecting the products they select to sell.

C1 Introduction to strategy – Solutions

p. 101

1

In order to be successful in a market, an enterprise needs to “do the right things.” A company should focus on those activities/areas where it is particularly strong and better than the competition, where a customer need exists and where no dangers from the environment lurk. A clear strategy lays out the marching orders that all employees can follow.

2

Individual solutions.

3

Category	Resources/capabilities
non-tradable	<ul style="list-style-type: none"> • Awareness • Leadership • Network of partners • Organization/structure • Reputation/image • Knowledge and experience
tradable	<ul style="list-style-type: none"> • Finances • Facilities • Buildings • Patents

4

Business mission statement (identity, goals, code of conduct)	<ul style="list-style-type: none"> • Our actions are tailored to the needs of our customers. • We are improving the reliability and quality of our services step by step. • Our goal is to be among the top providers in our industry. For this we focus our resources. We want to be a reliable partner for our customers and an outstanding employer for our employees.
Environmental analysis	<ul style="list-style-type: none"> • The logistics and delivery service market is benefiting from the e-commerce boom. The corona crisis has given the industry an additional boost. • Developing and emerging countries are growing dynamically. • In addition to opportunities, dangers (risks) can also be expected in the future. The sustainability of entrepreneurial activity is becoming increasingly important in the eyes of the public.
Strategy	<ul style="list-style-type: none"> • We face the current opportunities and challenges. • Through group-wide initiatives in the areas of e-commerce, digitization and sustainability, especially in developing and emerging countries, we aim to gain competitive advantages over the next few years.

5

Our world is rapidly changing due to digital transformation and automatization. Companies have to stay innovative and constantly adjust their business models or develop new ones. The three business examples combine the physical and the digital world in an ideal way. They offer technologically fully developed system solutions.

Brack was founded in 1994 and trusted on internet and e-commerce early on. Today, Brack earns its largest return with its online shop.

During the Corona crisis the commerce has in a large part been shifted onto online channels. The three companies have been particularly requested but were also capable of dealing with the large quantities due to sophisticated system solutions.

C2 Types of strategy and the business plan – Solutions

pp. 112–115

1

- a**
- Climate change
 - Finite and uncertain oil supply
 - Increasing global energy demand
 - Increased awareness among the population to demand renewable energy
 - Government “punishment” of oil and support for renewable energy

b

Diversification	Products
horizontal	<ul style="list-style-type: none"> • Natural gas
vertical	<ul style="list-style-type: none"> • Oil drilling • Oil refining and production of fuels (gasoline, kerosene) and liquefied gases (propane, butane)
lateral	<ul style="list-style-type: none"> • e.g., chocolate

2

a Horizontal diversification:

- A carmaker produces trucks
- A brewer also produces non-alcoholic beer

Vertical diversification:

- A restaurant plants its own herbs and vegetables
- A brewer also operates a small restaurant

Lateral diversification:

- A carmaker also produces watches
- A watch manufacturer also produces silk scarves

b Various reasons can speak for diversification:

- Independence (vertical diversification can reduce dependence on suppliers and outlets)
- Exploitation of market power
- Creation of barriers to market entry
- Risk diversification (especially with vertical/lateral diversification – the company becomes less exposed to seasonal, cyclical or structural fluctuation)
- Better growth/yield prospects for new product or market segments
- Realization of cost or differentiation advantages (especially in horizontal and vertical diversification due to possible economies of scale and synergy effects)

3

Market penetration strategy: The same model continues to be sold in the same market, but sales are increased. This could be achieved by lowering the price or introducing a massive marketing campaign.

Market development strategy: The same model would no longer be offered only in the German market; sales could be expanded to, say, France.

Product development strategy: The same model would be joined by an additional model, perhaps a luxury model, to be offered in the German market.

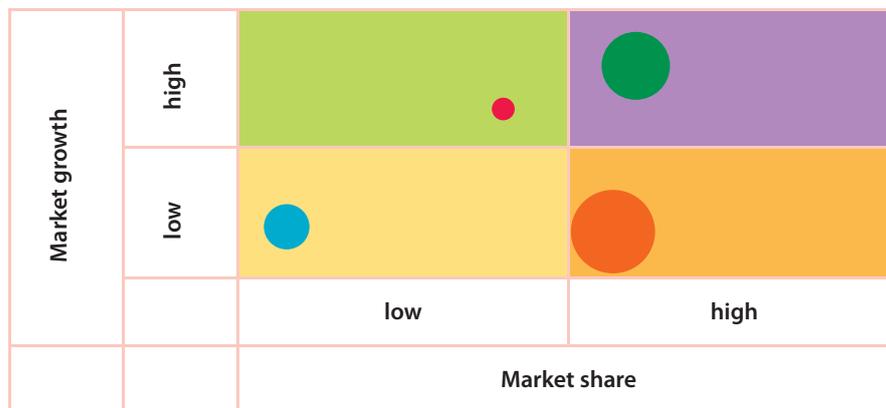
Diversification strategy: A new model is offered in a new market – for example, France.

C2 Types of strategy and the business plan – Solutions

4

- a Greater penetration in the wine market would be understood as an increase in sales volume in the current target market. Ways to do this: convince existing customers to buy and consume more wine from “Gut Falkenhaus” or move customers of other wines to switch brands to “Gut Falkenhaus”.
- b Product development means to offer a new product in an existing market. In terms of tea, this would involve selling new varieties of tea in the existing tea market. “Gut Falkenhaus” could, for example, offer additional tea flavors or develop a kind of special teabag.
- c Vertical diversification is understood as the inclusion of upstream or downstream products/services in the existing production program. Upstream in this case could mean that “Gut Falkenhaus” grows the fruits used in its teas. An example of the inclusion of downstream services would be for “Gut Falkenhaus” to operate its location to sell directly to end users.

d



Juice

Classification according to portfolio analysis: Cash Cow

Strategy recommendation: skimming strategy

Justification: The market for juice exhibits very low growth and is almost stagnant. At 45%, “Gut Falkenhaus” has a very high market share. The company obtains its main revenue from this division. It should by all means try to sustain its market share but without having to make any large investments. The profits should be used primarily to finance the other, growing businesses.

Wine



Classification according to portfolio analysis: Question Mark

Strategy recommendation: investment or divestment strategy

Justification: The market here is growing rapidly but, at 20%, “Gut Falkenhaus” has only a relatively small market share, placing it in an unfavorable competitive position compared to most competitors. Therefore, the company should consider whether it wants to withdraw from the wine market or invest in this business unit. In the latter case, it would need to try to enlarge its market share, thereby improving its competitive position. If the investment strategy is selected, stronger market penetration (advertising, pricing measures, etc.) and product measures (e.g., improvements to quality or packaging, etc.) would be suitable.

C2 Types of strategy and the business plan – Solutions



Tea

Classification according to portfolio analysis: Star

Strategy recommendation: investment strategy

Justification: The market for tea is growing even faster than that for wine. In this market, “Gut Falkenhaus” enjoys both a high absolute and relative market share. Due to the high market growth and the high market share, it is to be expected that company revenues will continue to grow in the future. The company should therefore try to keep its market share at least as high as it is now or even increase it. In addition, communication and product policies will play an important role.



Water

Classification according to portfolio analysis: Poor Dog

Strategy recommendation: divestment strategy

Justification: Water is the strategic business unit with the highest market volume, but growth is quite slow. Because of its low absolute market share, “Gut Falkenhaus” has achieved low revenues and finds itself in an unfavorable competitive position. “Gut Falkenhaus” should either reduce the funds used for this division or withdraw from the market entirely.

5

- Appealing packaging (differentiation “design”)
- Compound of PP paper, intelligent lacquering prevents the paper from chipping at the edges. Lacquer is water repellent, the shifted lamination and bonding increases the impermeability of the packaging and extends the shelf-life of the Lackerli (differentiation “better technology”)
- Additional space on the pack provides new opportunities for brand identification and advertising (differentiation “memorable, consistent brand name”)

6

- More comfortable ambience
- Order at the table (no self-service)
- Larger menu selection
- Balanced meals
- Fresh produce, seasonal kitchen
- Table reservations

7

a Examples of a focus strategy:

- Montreux Jazz Festival, which attracts thousands of tourists every year to the small town on Lake Geneva
- Open Air Val Lumnezia

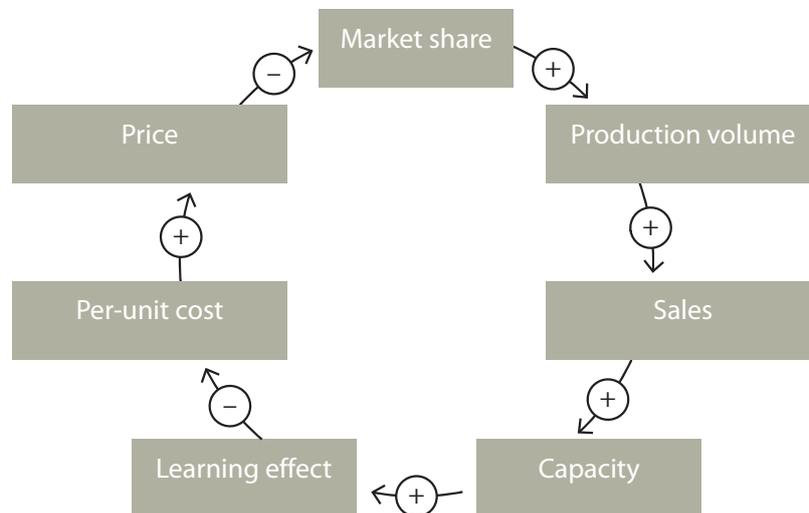
b The Swiss tourism market consists largely of small vacation destinations that, depending on the region, might act independently or as a group. Due to the special structure of the market, it is not realistic to address a large group of customers. More often, one tries to attract selected customers through the use of a particular offering. Above all, distinctive regional features are emphasized and, in many places, some form of green or sustainable tourism is offered. Another aspect to be mentioned is the high production costs involved in offering the service that is “tourism” (e.g., costs to build a hotel; expensive infrastructure that can only be used in particular seasons; wage costs for the service staff).

C2 Types of strategy and the business plan – Solutions

8

Area	a Cost leadership	b Differentiation
Purchasing	<ul style="list-style-type: none"> Negotiation of good purchasing conditions, such as quantity discount when buying large amounts of materials Just-in-time delivery to do away with own warehouse 	<ul style="list-style-type: none"> Quality-oriented purchasing, in that the suppliers and their materials are put under the magnifying glass Close cooperation with suppliers, for example, extending into improving materials (R&D)
Production	<ul style="list-style-type: none"> Production of uniform/standardized models Efficient process sequences Modern production technology/ automation 	<ul style="list-style-type: none"> Quality control / zero defect products, in that each mouse is tested for stability and functionality before being offered for sale Strong R & D for product improvement A variety of models of different designs in different sizes and different shapes
Sales	<ul style="list-style-type: none"> Cost-effective distribution system, whereby only large electronics distributors would be selected as distributors 	<ul style="list-style-type: none"> Ensure reliability of supply with own courier service Raise awareness, build a brand name and arouse emotions by advertising on the product Train sales staff to provide competent buying advice
Service	<ul style="list-style-type: none"> No warranties on computer mice 	<ul style="list-style-type: none"> Provide a two-year warranty Complaints met with goodwill

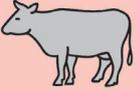
9



C2 Types of strategy and the business plan – Solutions

10

Remark: The solution can be a coarse approximation. New product generations and product categories are developed and released onto the market with high velocity. In order to perform an exact positioning, one must dispose over the exact market data of every single model generation. But yet, the task shows the dynamics with which the products move among the BCG-Matrix. Therefore, such portfolio analysis is crucial for the organization. They deliver relevant control information.

Market growth/ attractiveness	high	HomePod iWatch 	 iPhone iPad AirPods
	low	 MacBook (first generations)	iPod iTunes 
		low	high
		Market share	

11

- a Saturation phase
- b Cash Cow
- c Skimming strategy in conjunction with cost leadership. Not much more should be invested in the product and production costs should be reduced, allowing the product to be sold more cheaply in order to maintain market share.

12

a

Phases	Events
Development	The development of new drugs is the core competence of the pharmaceutical industry. Only through constant research can pharmaceutical companies remain competitive. Consequently, most resources are invested in the development phase.
Introduction	Crucial in the introduction of new drugs is to apply for patents in order to protect the drug. In addition, drugs are mostly sold indirectly through pharmacies, doctors and hospitals; this property is especially important for marketing and must be incorporated into the strategic marketing planning.
Growth	Increasing sales and positive earnings will draw competitors' attention to the drug. They will then develop drugs with the same active ingredient (generics) that can be offered on the market as soon as the patent period expires.
Maturity	The patent will expire in the near future. It is in this phase, at the latest, that a new product, which in turn can be patented, should be in the "pipeline".
Saturation	With the expiration of the patent, competitors begin pushing lower-priced generics into the market. The price of the original product must be reduced.

C2 Types of strategy and the business plan – Solutions

Phases	Events
Decline	In this phase, the primary question becomes whether to continue to offer the drug or if competitors have become more sophisticated, to the point where original company can no longer sell the drug for a profit.
Residual	In the residual phase, the product no longer generates positive profits. However, this phase is important for pharmaceutical companies, as the product can continue to have repercussions, such as, for example, any legal action related to undisclosed side effects.

- b The peculiarity of the pharmaceutical industry and its products (drugs) is the long product development time, the customer structure and patent protection.

Product development: From the initial product idea to a marketable product requires an enormous research effort.

Customers: In many cases, it is not the final customer (patient) who decides which drug is purchased but the physician.

Patent protection: The composition of the active ingredient and thus the drug is protected from imitation, so-called generics. However, patents protection does not last forever, so it is important for companies to continuously develop new drugs.

13

Business Plan – Startup “Get-Together”

Abstract

The youth nightclub “HaveFun” is a new business idea from the firm “Get-Together”. The concept is based on the needs of young people for a not only smoke- but also alcohol-free nightclub in the region of Bern, where the music kicks off at 9 p.m.

Enterprise

The startup “Get-Together” was established half a year ago by Andreas Bliigger in the form of a sole proprietorship in Bern. The intended purpose of the company is to fill regional market niches in the entertainment industry.

Since its founding, the company has intensively researched the entertainment industry and performed market analyses and customer surveys; these show that there exists a significant demand for smoke- and alcohol-free nightclubs for young people.

Product/Service

“HaveFun” offers all young people in the Bern region the opportunity to spend an evening free from social constraints. With this new approach, the concentration is on freedom from alcohol and smoke. Large pillows in the entrance area are intended to create a cozy lounge atmosphere. Starting at 9 p.m., a lineup of new, up-and-coming DJs will guarantee a fun-filled evening of dancing to various music styles such as funk, world, reggae, hip-hop and electro or house.

The cover charge is CHF 12, which includes water, syrup and snacks. Fresh fruit juices, teas (especially loose tea), soft drinks, sandwiches and pastries are also available for purchase. The nightclub is open Friday and Saturday from 8:30 p.m. to 2:00 a.m.

Customers & Markets

The event is aimed at health-conscious young people aged 16 to 18 who want to spend an evening with friends and like-minded people in a pleasant atmosphere.

The company “Get-Together” sees a market niche in the field and expects, over the next two years, increased demand by young people seeking smoke- and alcohol-free bars and nightclubs.

Competition

In Switzerland, there are so far only few youth nightclubs that are the smoke and alcohol free. The trend toward being protected against passive smoking in public buildings, restaurants, nightclubs, bars and schools has become ever more important. That makes it all the more important to enter this market now.

Marketing

The target customers of this nightclub are health-conscious youth in the region of Bern aged 16 to 18. The market will be approached through conscious contact with schools. The nightclub should be created by young people for young people, whereby the company “Get-Together” works in the background as an organizer and supporter. Committed young people could thus participate in the collaboration and organization and so earn some extra pocket money.

Location/production

The headquarters of the company “Get-Together” is located in Bern. The first location shall also be opened in this area. An appropriate location for the first nightclub has already been found. The permits for the opening have been applied for.

Organization/management

The management of “Get-Together” and the entire organization will be undertaken by Mr. Andreas Bliigger. Contact has already been made, through different schools, with the young people who will help with organization and implementation.

Risk analysis

Internal risks: Helpers back out, overestimation of demand for such a nightclub.

External risks: Permit for the operation of a youth nightclub is not granted, other vendors enter the market.

Finances

For the opening of the youth nightclub “HaveFun”, especially for permits, rent on the premises, establishment and general operation, the company “Get-Together” needs funds in the amount of CHF 40,000.

14

Advice for the development of a business plan:

Content:

- Short and precise: if possible, a business plan should be no more than 20-30 pages long.
- Clear presentation.
- Technical expressions should be avoided or else explained in the footnotes.
- Distinguish plans from facts.
- Negative aspects should also be evaluated and assumptions about the future should be justified and explained.
- A business plan should not be artificially inflated but should rather be focussed on what's essential.
- Sourced must always be stated.
- If the business plan is distributed among different investors, it is recommended to numerate and personalize the individual specimen.

Structure of a business plan:

- **Management Summary:** the short version of a business plan is meant to give an overview on how the business functions.
- **Business and business strategy:** background and initial position of the business, a brief summary of the business' history and its development. This chapter should state a broad overview of the strategy the business intends to adapt.
- **Products/Services:** elucidation of the current and planned market services.
- **Competition:** this part should include a competitor analysis and a strengths and weaknesses analysis (SWOT) based on such.
- **Marketing:** the reader should obtain a clear understanding of the business' marketing ideas. This part includes a description of the current and future buying behaviour, the targeted price policy, the planned advertising instruments, etc.
- **Production/Distribution/Procurement:** this chapter describes the current and future production facilities and the applied technologies. Furthermore, this chapter should explain which upstream products and services the business produces itself, which ones are outsourced and which developments the business' resource market exhibits.
- **Research & development:** description of where the know-how is sourced and how a long-term strategic advantage towards the competitors can be assured.
- **Location/Administration:** This chapter includes information on the business' headquarters and the possible developments said location presents.
- **Information technology:** Information on the IT infrastructure.
- **Management/Leadership instruments/Organisation:** presentation of the leading members (including their function and education), information on the leadership principles, wage policy, development of the staff as well as the operational and superstructure.
- **Risk analysis:** a close-up of the internal and external business risks is presented including possible action alternatives.
- **Finances/Financial concept:** This chapter includes information on the current financial position of the business as well as the developments. Using a financial plan, the sources and uses of the financial resources are elucidated. The financial requirements are shown.

Further information: You can find a Credit Suisse template for a business plan at

www.credit-suisse.com/microsites/business-easy/de/firmengruendung/vorbereiten/businessplan.html.

C2 Types of strategy and the business plan – Solutions

15
a

Dropbox Inc.					
<p>Key Partners (Which are the key partners to ensure a competitive advantage?)</p> <ul style="list-style-type: none"> • HTC (Consumer electronics company): 5 GB free Dropbox storage to all Android users • Amazon: Simple Storage Service (S3) for data storage 	<p>Key Activities (What are the key steps to move ahead to the customers?)</p> <ul style="list-style-type: none"> • Promotion of Service • Continuous development of platform and services • Troubleshooting for customers 	<p>Key Propositions (What added value is generated for the customers' life?)</p> <ul style="list-style-type: none"> • Freemium model • Online storage: backup • Easy access to data • Accessibility: universal application • Simple user interface • Automatic synchronization of data 	<p>Customer Relations (Frequency of interactions with customers)</p> <ul style="list-style-type: none"> • Account management for business customers • C2C support in forums • Tech support • Automated service through Q&A section 	<p>Customer Segments (Customer description, description of the target audience)</p> <ul style="list-style-type: none"> • Mass market • Existing market • Target: everyone using memory sticks or emails to transfer data 	
<p>Key Resources (What resources are crucial to make the idea work?)</p> <ul style="list-style-type: none"> • Human resources • Physical assets (servers, computers, high speed internet) • Intellectual property 		<p>Channels (What channels are used to reach out to customers?)</p> <ul style="list-style-type: none"> • Direct: homepage • Indirect: referral through users • Partner channels: tech forums • Viral channels 			
<p>Cost Structure (Planned costs spent in a certain period of time on the product development and marketing)</p> <ul style="list-style-type: none"> • 2nd round of venture capital was raised in October 2011 to finance acquisitions, strategic, partnerships, team growth 		<p>Revenue Streams (Planned earnings in a certain period. Comparison of costs and revenues)</p> <ul style="list-style-type: none"> • Pricing mechanism: freemium • Recurring revenue from ongoing payments • Options: 2 GB of free space, Pro: GBÜ 8.25/user/month, Business: GBP 12.50/user/month, Enterprise: negotiable 			

C2 Types of strategy and the business plan – Solutions

b

FELFEL		Customer Segments (Customer description, description of the target audience)	Customer Relations (Frequency of interactions with customers)	Key Propositions (What added value is generated for the customers' life?)	Key Activities (What are the key steps to move ahead to the customers?)	Key Partners (Which are the key partners to ensure a competitive advantage?)
		<ul style="list-style-type: none"> Small/medium company offices of 25 or more employees for which a canteen is not a cost-efficient option Existing market 	<ul style="list-style-type: none"> Installation of the smart fridge in the office Daily delivery of the menus by the FELFEL Team (refill) Tech support / customer service 	<ul style="list-style-type: none"> Convenience: healthy balanced menus free of colours and preservatives Office delivery Easy access to menus (selection/order via app) Personalized profile: unique menu suggestions according to individual preferences Simple user interface Concept which means to bring co-workers together to celebrate sustainable and tasty food 	<ul style="list-style-type: none"> Promotion of Service Refill: constant variety among the choice of 40 different menus and snacks Installation of the smart fridge Recycling (waste) Maintenance 	<ul style="list-style-type: none"> Local small-scale producers (e.g. Palestine Grill, Fruchtpassion GmbH, market lady Francette Dubach-Obe)
		Channels (What channels are used to reach out to customers?)				
		<ul style="list-style-type: none"> Direct: homepage Indirect: referral through users 				
Cost Structure (Planned costs spent in a certain period of time on the product development and marketing)		Revenue Streams (Planned earnings in a certain period. Comparison of costs and revenues)				
<ul style="list-style-type: none"> Start-up business using a simple cost structure Equity financing by the founder couple; Investments through family offices and friends Tenders won (Growth incentive "SEF4KMU" of the Swiss Economic Forums supported by the UBS Bank) 		<ul style="list-style-type: none"> Pricing mechanism: premium One-time payment for the smart fridge and its installation Recurring revenues from menu orders (refills) Options: Lunch CHF 10.00 to 12.00; small lunch CHF 5.00 to 10.00; Breakfast starting from CHF 1.50; Snacks starting from CHF 1.00 				

Further information at: <https://felfel.ch>

C3 Location of an enterprise – Solutions

pp. 120–121

1

In particular, companies that produce labor-intensive products with low-skilled workers. This has led in recent years to the outsourcing of production (e.g., of textiles) from industrialized countries to low-wage countries such as India and Bangladesh.

2

Government (or cantonal business development) can positively or negatively influence location decisions. Influencing factors include:

- Preservation of safety/order (stable democracy, rule of law)
- Location subsidies (tax breaks)
- Statutory provisions (visa regulations, transparent legal system, environmental regulations)
- Economic development (high standard of living with well-developed infrastructure, such as through good transport connections, reduction of tariffs)

3

- a
- Good availability of housing, schools and office space
 - Good international connections
 - High quality of life
 - Attractive working environment
 - Excellent labor market
 - Centrality
- b Individual response.

4

- a No general answer can be given for an enterprise's selection of a location. Rather, different criteria for site selection will have importance, depending on the nature of the enterprise, its business operations and the goods and services it produces.

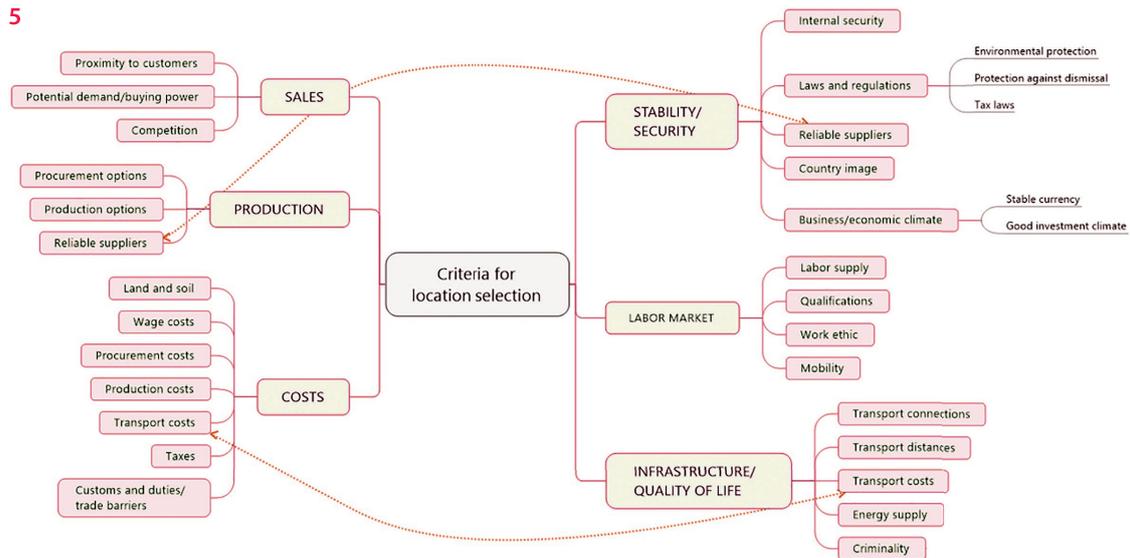
For some service companies, proximity to customers can be decisive. In contrast, with other service companies, such as call centers or IT support, proximity to customers is not decisive as a criterion. Rather, it is labor costs that are key, so these services can be moved to lower-wage countries such as India.

For manufacturing companies, transport connections may be an important criterion for the choice of location because the manufactured products can reach customers quickly and easily.

- b In general, the same location factors (labor, land, capital, government, etc.) are relevant for all enterprises. However, the weighting of these factors will vary between enterprises: For example, it is conceivable that proximity to a rather small group of regular customers is more important for the Müller's Village Bakery than for Sulzer AG with its international clientele. For Sulzer, transport infrastructure (e.g., proximity to the airport) or access to overseas markets would be of greater importance than for the local bakery. Other differences are naturally conceivable.

C3 Location of an enterprise – Solutions

5



6

- a Depending on selection and justification of the location factors, their weighting and point distribution by country can lead to individual solutions. A possible solution could look like:

Evaluation criteria	G	Switzerland		Romania		China	
		P	= G · P	P	= G · P	P	= G · P
Land prices	20	1	20	3	60	3	60
Government services	10	2	20	2	20	2	20
Legal provisions	15	2	30	2	30	2	30
Transport connections	15	2	30	2	30	3	45
Availability of labor	15	2	30	3	45	3	45
Production costs	25	1	25	2	50	3	75
Total	100		155		235		275
Ranking			3		2		1

- b Calida was founded in 1941 as a small sewing room for women's underwear. Meanwhile, the business has risen to a leading brand for clothes and lifestyle across all of Europe. All products are produced in Sursee in Switzerland.

Calida is concerned about running an ecologically and socially sustainable business. Their actions are reflected in strict sustainability labels. In an in-depth corporate social responsibility (CSR) report Calida documents and accounts for its actions to its stakeholders. Based on these fundamental values, Calida sources three quarters of its used materials from Switzerland, Austria and other European countries. The manufacture takes place, inter alia, in their own production site in Hungary. The majority of the products are manufactured in Eastern Europe (Hungary, Bulgaria, Romania) and only a small fraction is produced in Asia (China, Vietnam). Calida relies on the tenet "Made in Europe". Due to the proximity to the European suppliers, Calida can ensure the monitoring of the supply chain and its fulfilment of the sustainability criteria. 90.5% of the transportation of finished products occurs by lorry, 7.6% occurs via ship and 1.9% via air cargo (numbers 2018).

C3 Location of an enterprise – Solutions

7

Individual responses. Possible solution:

Evaluation criteria	Mallorca			Swiss Alps	
	G	P	= G · P	P	= G · P
Having	30	3	90	1	30
Soaking up the sun	50	3	150	2	100
Sporting activities	10	2	20	2	20
Food	10	1	10	3	30
Total	100		270		180
Ranking			1		2

C4 Make or buy – Solutions

p. 129

1

a In-house production:

CHF 10,000 + 9,000 units · CHF 1/unit = CHF 19,000

External procurement:

9,000 units · CHF 2/unit = CHF 18,000

Conclusion:

Cost of external procurement (CHF 18,000) < cost of in-house production (CHF 19,000)

For 9,000 units, it is cheaper to purchase energy-saving lamps for CHF 2/unit.

b Transaction costs are of little importance in this situation. Any costs to search for or investigate suitable transaction partners would be negligible in this case, as there are many providers of energy-saving bulbs.

Any transaction costs for general negotiations and contract design would also be very low because it involves standardized energy-saving bulbs.

Any form of control costs for monitoring the contract in terms of quality, price and quantity may also be waived in this instance, since there are many providers on the one and the other an everyday product.

Thus, only transport costs need to be considered in this example.

2

Management deliberations make a certain amount of sense: The idea of the two engineers being active in the field of machine design is generally understandable. This activity is one of the core competencies (competence factor) of the engineers. While the outsourcing of the customer hotline to a call center may, at first glance, seem like the cheaper option (cost factor) and allow customer calls to be answered more quickly (time factor); however, outsourcing would likely result in a drastic loss of quality of the advice (quality factor). Finally, these are special machines and non-standard products: So, any cost savings would have to be considered with the inclusion of transaction costs (cost factor), as the call center employees would have to first pass through intensive training in order to answer customer questions in a competent manner.

3

Evaluation criteria	Weighting W	Make		Buy	
		Points P	Result = W · P	Points P	Result = W · P
Competence	20	1	20	3	60
Costs	10	1	10	2	20
Quality	40	1	40	3	120
Dependence	20	2	40	1	20
Capacity	10	1	10	3	30
Total	100		120		250
Ranking			2		1

C4 Make or buy – Solutions

Justification

- Competence:** “Food 4 You” has no expertise in this area but could build it up over time. A logistics company is a specialist in this area (core competencies).
- Costs:** The construction and maintenance of a home delivery service is very expensive (fleet, staff). A logistics company already has the necessary fleet and staff.
- Quality:** Quality is crucial. The food that customers order must be in good condition at the right time and place.
- Dependence:** Outsourcing leads to a certain dependency on suppliers; however, that there are alternative logistics providers in the area where “Food 4 You” operates, the level of dependence is acceptable.
- Capacity:** The employees at “Food 4 You” are already busy. Thus “Food 4 You” has no extra capacity or would have to build it first.

C5 Forms of cooperation – Solutions

p. 141

1

General advantages of a strategic partnership	General disadvantages of a strategic partnership
<ul style="list-style-type: none"> • Concentration on own strengths • Increased distribution know-how (development of a regional/national/international distribution network) • Consolidation and strengthening of market position • Broader product portfolio /expansion of service offerings • Entry into new geographic markets (springboard to launch in foreign markets) • Larger number of customers (additional customers of the partner) • Improved customer service • Preservation of the independence of both partners as legal entities • Image transfer (known business name brings benefits to the partner) 	<ul style="list-style-type: none"> • Time-consuming and expensive process of searching for a suitable partner • Difference in size of the two partners can lead to different power relations • General imbalance between the partners (for example, in terms of income and expenses) • No complete autonomy and thereby loss of control • No success without mutual trust and loyalty • Benefits for the partner can lead, over the longer term, disadvantages for own company

2

Advantages for the franchisor	Disadvantages for the franchisor
<ul style="list-style-type: none"> • Advantages for the franchisor • Revenue from fees and royalties • Dense distribution network with low fixed costs • Qualified partners • Rapid expansion possibilities • Low business risk • Continuous strengthening of the brand • Low capital investment • Rationalization 	<ul style="list-style-type: none"> • A portion of the proceeds must be given up • Partners could potentially desire to set up own operations • High control costs • Risk of injury to image • No customer proximity, in contrast to the franchisee
Advantages for the franchisee	Disadvantages for the franchisee
<ul style="list-style-type: none"> • Gets franchisor know-how, experience • Strong negotiating position (e.g. banks) • Reduced business risk • Functioning marketing and distribution • No product development • Faster market access • Close to the customer • Good image • Independent contractor 	<ul style="list-style-type: none"> • No individual responsibility • No independence • Minor influence in business policies • Restricted business activities • Limited opportunities for creativity • Long-term commitment • Full business risk • Part of the proceeds must be given away

C5 Forms of cooperation – Solutions

3

a This is a vertical cooperation.

b Advantages:

- Shared storage
- Café customers buy make purchases at the bakery and vice versa
- During off-peak times, café staff can operate the bakery and vice versa
- Joint procurement of products
- Joint advertising possibilities
- Bakery products no longer need to be delivered to the café

4

- Loss of jobs: The merging of two companies can lead to duplication – including in terms of workers – which would likely be addressed through layoffs.
- Pressure on wages: Workers lose the opportunity to have their wage demands heard through the threat that they can go to work for the competition.
- Change in location: The merging of two companies can lead to duplication – including in terms of infrastructure – that might need to be addressed, for example, by closing a factory. In the best case, the employees will be offered a similar job in a different factory; however, it might be geographically remote and possibly require the worker to move.

5

a OPEC is an international organization with 13 member states (as of spring 2020) and its headquarters in Vienna. The cartel has the stated goal of representing a monopolistic position in the oil market in order to control prices; therefore, it represents a price cartel.

b OPEC is a legal cartel.

c It involves an association of nations that certainly have their own political backgrounds.

d • The purpose of the association (price, territorial or quantity agreements)

- Parties involved (people, organizations, countries)
- Legal status (legal vs. illegal association)
- Political cartels

6

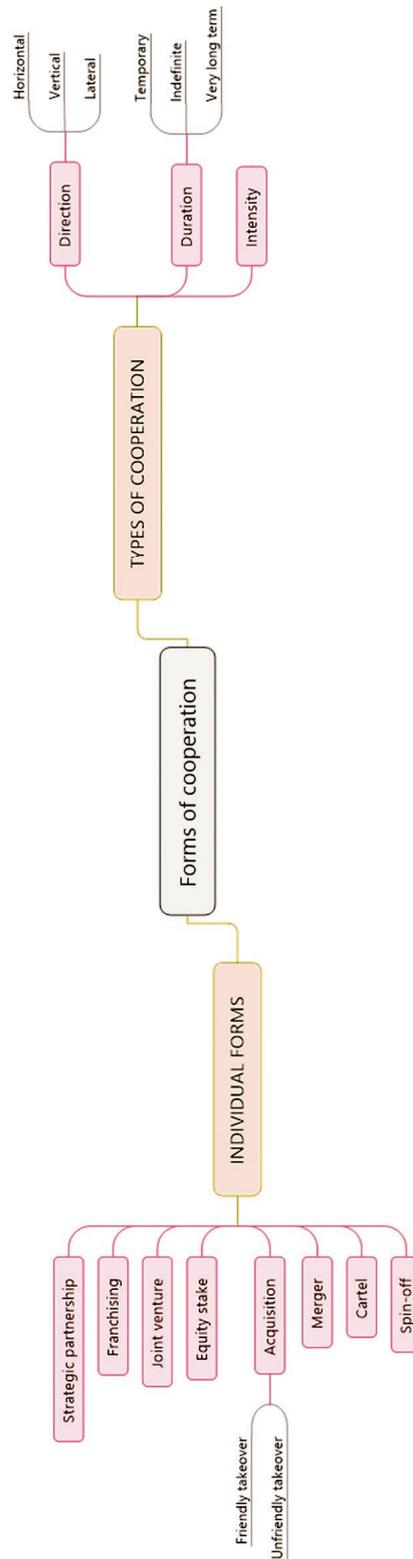
- In general: greater competitive pressures
- The need to focus on core competencies, but customers expect comprehensive solutions (vertical cooperation)
- Cost pressure, so economies of scale must be sought (horizontal cooperation)
- Creation of complex new products/services that require a lot of know-how and technology

7

In nature, the strong eat the weak; this is also the case in the business world. The weaker is the one that is small and unsuccessful. Unsuccessful are companies that have no clear strategy and low stock prices because of low profit expectations. Small businesses have very little share capital. The combination of small and unsuccessful results in a takeover threat by the strong as the low market value leads to a low purchase price. A company is thus under constant pressure to succeed and grow.

C5 Forms of cooperation – Solutions

8



C6 Structure – Organizational theories – Solutions

pp. 152–153

1

The properties of a system are known in the case of an enterprise: The system “Enterprise” consists of the system elements man and machine. An enterprise is not just a “social system” because the provision of services often requires equipment (tools, computers, etc.), in addition to people. It follows that enterprises are referred to as sociotechnical systems.

2

a By equating the institutions of the floorball association and the swimming club with organizations, he is responding from the institutional perspective: Both the floorball association and the swimming club are organizations.

b Organizations can be considered not only from institutional perspective described in part **a** but also from an instrumental or functional perspective.

From the instrumental perspective, an enterprise (or a Scout Club, etc.) has organization. This is expressed through structures within an enterprise and serves management as a management tool (the organization is an emergent order/structure in a sociotechnical system).

From the functional perspective, an enterprise is organized. Its purpose is the simplification, definition and design of enterprises: Management attempts in an enterprise to cultivate certain models or patterns of order and make them ascertainable for people and thereby able to be planned or shaped.

3

a

	Approaches	
	Technocratic	People-oriented
Focus	Technological structures in the enterprise	Human/social structures in the enterprise
View of man	Man as one of many factors of production	Man as a key success factor (keyword: human resources)
Determinants of productivity	Technological improvements, hierarchical controls	People: consideration of their needs, motivations, incentives

b

Technocratic approach	Reasoning
Scientific management or Taylorism	Productivity gains through scientific methods. The needs of people are considered.
Division of labor and specialization according to Adam Smith	Increase in productivity is due to division of labor and the associated specialization. The motivation of employees does not matter.
Theory of bureaucracy	Focus on rules and structures in the enterprise. It is assumed that hierarchical controls lead to higher productivity.

C6 Structure – Organizational theories – Solutions

People-oriented approach	Reasoning
Human-relations approach	Assumption that social factors, such as the operating environment or job satisfaction, have a significant influence on productivity. Human needs are the focus.
Motivation-theory approach	Job satisfaction and motivation of employees are the sources of productivity gains.

4

- a Scientific management
- b Division of labor and specialization according to Adam Smith
- c Motivation-theory approach
- d Human-relations approach / motivation-theory approach
- e Theory of bureaucracy
- f Scientific management
- g Scientific management
- h Theory of bureaucracy

5

- a “Swisseeuropeinsurance” evidently cultivates a very people- or employee-oriented approach. This is supported by the following passages:
 - “We consider our employees to be the key success factor for achieving this vision.”
 - “We attach great importance to creating a work environment that is free of discrimination provides equal opportunities to all.”
 - “Also important to ‘Swisseeuropeinsurance’ is an ideal balance between work and private life.”
- b The mission statement heavily references the principles of the human-relations and motivation-theory approaches. The work environment (equal opportunities, no discrimination) is addressed, for example, as well as making flexible work schedules available; the goal is to try to increase employee motivation.

C7 Structure – Organizational forms – Solutions

pp. 179–181

1

- a An organizing structure defines how an enterprise will be structured while an operating structure defines processes and processes:

Organizing structure	Operating structure
Establishment of the organizational structure <ul style="list-style-type: none"> • Definition of duties and training for positions • Combination of positions into larger units (e.g., divisions) • Representation of the organizational structure in an organizational chart 	Establishment of procedures <ul style="list-style-type: none"> • Determination of the timing of an activity (when) • Determination of the sequence of various activities • Calibration and coordination of subtasks

- b We proceed from an instrumental understanding of organizations: The enterprise has an organization that is configured a certain way (organizing structure).

2

- a A job description notes duties, skills and responsibilities of a position. It serves to clarify to employees in an enterprise the rights and obligations associated with their positions and delineate the individual positions from each other. The job description is, therefore, an internal document that is not meant for the public.

A job posting or announcement, however, is an external document for communication in the labor market. It is therefore written with the aim of finding the right person for a position. Although a job posting is based on the job description, it is usually shorter and also outlines requirements of the jobholder.

- b Some information is missing in the job posting:
- Although the position is described as “director of the sales department”, there is no description of the scope of activities: Potential applicants should be able to understand from the job ad which tasks they would face in the position.
 - No workload is mentioned.
 - Also critical is information about when the position is available: Many applicants would need to terminate their current employment contract in order to take on a new position.
- c Individual solutions. Suggestion:

MNG Rämibühl seeks:

History teacher at the high school level

The Math and Science High School Rämibühl in Zurich conducts seven parallel “Kurzgymnasium” courses with a focus on math and science and two parallel courses of arts and sports.

A teaching position in history at the high school level (60%) is available in our cantonal school, starting with the beginning of the school year 2020/21 (August 1, 2020). Requirements for this position are a university degree in history, certificate to teach in Zurich high schools (DHL/MAS SHE or equivalent) and teaching experience in history at the high school level.

More information is available from the principal’s office (Tel. 058 384 XX 52, rektorat@mng.chx). Detailed information and full details of the documents to be submitted can be found on our website, www.mng.chx.

Your application should be sent by mail no later than 30 March 2020 to Kantonsschule MNG Rämibühl, Rektorat, Rämistrasse 58, 8001 Zurich.

C7 Structure – Organizational forms – Solutions

3

- a Organizational charts depict relationships, hierarchies and chains of command and help employees to orient themselves in the enterprise. Especially in larger enterprises, organizational charts map very complex relationship structures in a highly simplified manner.
- b The organizational charts differ in the level of abstraction (detail): While each individual position may be depicted in the organization chart of smaller enterprises, this level of detail would make no sense for medium to large enterprises. In the latter case, for the sake of clarity divisions or departments are usually depicted, instead of individual positions.

4

- a Span of control measures the number of positions that are operated under a leadership position or authority. If many positions are subordinate to an authority, this is called a large span of control or a flat hierarchy. If an authority is superior to only a few positions, this is called a small span of control or a steep hierarchy.

Depth of control is a measure of the number of hierarchical levels that exist in an enterprise.

b

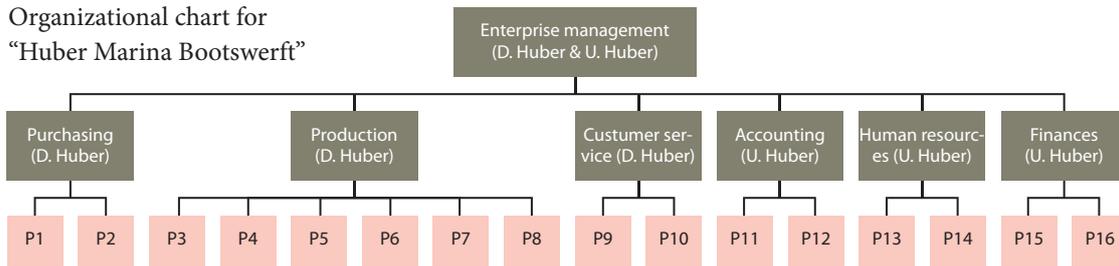
	Large span of control / small depth of control	Small span of control / large depth of control
Pros	<ul style="list-style-type: none"> • Upper hierarchical levels are closer to events in the market • Efficient decision-making processes • Good flow of information 	<ul style="list-style-type: none"> • Optimal perception of control functions by superiors
Cons	<ul style="list-style-type: none"> • Superiors can get overwhelmed • Control functions may not be fully perceived: risk of fraud • Fewer career opportunities for young professionals (negative for their motivation) 	<ul style="list-style-type: none"> • Carrier of information flow • Information may be corrupted on the way through the hierarchy levels • Slow decision-making processes

- c The span or depth of control depends not only on the size of an enterprise but also on the industry in which it operates. Flat structures are advantageous in fast-moving markets that face a lot of changes because information can flow better and decisions made more quickly. Even so-called “expert organizations” such as law firms or consulting firms have a flatter structure as employees work relatively independently and require very little guidance.

C7 Structure – Organizational forms – Solutions

5

Organizational chart for
“Huber Marina Bootswerft”



6

Individual solutions. Suggestion:

	Advantages	Disadvantages
Functional organization	<ul style="list-style-type: none"> High efficiency through division of labor and specialization (routinization of activities) 	<ul style="list-style-type: none"> Customer satisfaction plays a minor role, lack of “product perspective” Information loss of across functional boundaries
Divisional organization	<ul style="list-style-type: none"> Flexibility through high autonomy of the individual units Greater market and customer orientation 	<ul style="list-style-type: none"> Costly and resource-intensive, therefore less suitable for SMEs (functions must be duplicated across the enterprise)
Management holding	<ul style="list-style-type: none"> High (also legal) autonomy of the units; they can easily be split off if necessary 	<ul style="list-style-type: none"> Coordination of the individual holding companies is difficult Establishment of joint holding strategy is difficult
Alliance organization	<ul style="list-style-type: none"> Low level of investment Flexibility of entry and exit Faster know-how gain 	<ul style="list-style-type: none"> Risk of incompatible cultures Risk of unreliable partners Disclosure of core competencies
Virtual organization	<ul style="list-style-type: none"> Low level of investment Small staffing needs 	<ul style="list-style-type: none"> No chance to diversify if core competencies are lost (no leg to stand on when dissolved)
Product organization	<ul style="list-style-type: none"> Promotes entrepreneurship Overcomes functional fractures 	<ul style="list-style-type: none"> Resistance by functional managers who may hinder product managers
Matrix organization	<ul style="list-style-type: none"> Specialization advantages of the functional organization Coordination from perspective of customers, products or countries 	<ul style="list-style-type: none"> Conflicts of interest at the interfaces: dispute over areas of authority, power struggles
Process organization	<ul style="list-style-type: none"> Process optimization Minimization of idle periods 	<ul style="list-style-type: none"> Identifying core processes difficult Fundamental rethinking necessary: switch from vertical to horizontal (process) view
Project organization	<ul style="list-style-type: none"> High flexibility Can include employees from different functions, divisions, hierarchical levels to compose a team based on the project need 	<ul style="list-style-type: none"> Delineation of responsibilities versus primary structure is difficult Risk of project staff becoming estranged from their familiar surroundings

C7 Structure – Organizational forms – Solutions

7

a Flexibility: The profit centers have a high degree of autonomy, given them the flexibility necessary to respond to changing market needs – something that would be almost impossible for a centralized management of a company that operates in many different countries.

High degree of responsibility: According to the idea of the “autonomy of the smallest unit”, profit centers enjoy considerable freedom; however, at the same time, they must take full responsibility for their costs and revenues. This creates an incentive to reduce costs and generate the greatest revenues possible.

b To align these 5,000 separate units with an overall corporate strategy can be difficult. In addition, ABB has encountered a problem when individual profit centers all of a sudden will start to compete with each other – if nothing else, this can lead to massive price concessions in quotes. In addition, it has become increasingly difficult for top management to monitor and control the individual business units of the Group when they are scattered across so many countries: the decentralization makes coordination difficult and promotes the development of personal interests.

8

a Primary structures refer to the organizing structure of an enterprise that is hardwired, fixed from the outset and/or evolves over the longer term. The project organization quite different: The secondary structure is not a long-lasting structure, but is brought to life to tackle a specific goal. The primary organizing structure, the hardwired structure of the enterprise, continues undisturbed and can often be taken for granted.

b A project is a novel, unique, complex, and temporary task in an enterprise; several divisions are usually involved in its planning and implementation, and other tasks in the company compete for the resources to fund it. Projects have a beginning, a fixed end and are unique, while processes represent tasks that are repeated continuously over an amount of time that is not limited in advance.

c When controlling a project, the project goals and milestones defined in the planning phase are of great importance, as they are the target values. Actual values should therefore be regularly recorded and compared against the substantive, quantitative and scheduled objectives set out in the definition of goals. Through such a target-actual comparison, it can be determined whether or not the intermediate objectives have been achieved.

d Possible measures:

- Increase efficiency (e.g., through education and training strategies, use of technical resources, etc.)
- Increase capacity (e.g., by an enlargement of the project team or instituting overtime, etc.)
- Adjust project objectives and milestones (in consultation with the client and steering committee)

C8 Culture – Solutions

pp. 191–192

1

Individual solutions. Suggestion:

Cultural elements	Country	
	Switzerland	China
Dependability	high	average
Quality	high	average
Economy	high	high
Individualism	pronounced	weak
Collectivism	weak	pronounced
Power distance	weak	pronounced
Work ethic	high	very high

2

a Individual solutions. Suggestion:

School culture expressed through	Examples
Values	High quality of education and moral courage
Norms	Openness, integrity, honesty and justice
Rituals	Regular assignments related to the environment, theater performances open to all years, help at home, prom
Stories and myths	Stories about teachers, myths about previous classes or students
Language rules and use	One voice for external communications
Symbols	School logo and colors, uniform

b Individual solutions. Suggestion:

Class culture expressed through	Examples
Values	Social responsibility toward the class, solidarity
Norms	Honesty, letting others speak, set seating arrangement
Rituals	Play games before the holidays, school trip, greetings
Stories and myths	Stories of summer vacation/getaways, quotes from teachers
Language rules and use	Nicknames for the students and teachers, inside jokes
Symbols	Class color, logo, name/number

3

Individual solutions. Suggestion:

Informal rules	Influence on corporate culture
Consensus	Conflict prevention, problems with more direct cultures (e.g., Germany)
Neutrality	Loyal to everyone, not willing to take a clear position on issues, not standing up for your own values
Punctuality	Lack of understanding for delays
Courtesy/respect	A work environment free from discrimination and harassment based on race, nationality, gender, sexual orientation, religion, age or disability
Discretion	Appropriate handling of confidential information, secrecy with regard to certain issues (e.g., wages)

4

a Individual solutions. Suggestion:

Cultural features	Migros
Values	Proximity, diversity, innovative and distinctive, sense of responsibility, honesty, quality, sustainability
Norms	Partnership, commitment to society (sports and culture)
Rituals	Cannot be deduced from the information available
Stories and myths	Stories about founder Gottlieb Duttweiler and his concerns, carry forward the cooperative idea (solidarity among consumers)
Language rules and use	Jargon
Symbols	Corporate identity (font, documents, logo and colors), clothing

More info at www.migros.ch

b Different backgrounds, different education, different departmental cultures (creative marketing department vs. formal accounting department), etc.

5

- a Individualism
- b Masculinity
- c Power distance
- d Risk avoidance
- e Power distance
- f Masculinity

C8 Culture – Solutions

6

- a Process culture
- b More of a risk culture, as capital-intensive decisions must be made but the feedback is relatively slow. Customer requirements must be considered and greater risk taken on. The hierarchy levels should be flattened, so that a more relaxed atmosphere prevails and communication can function better.
- c Individual solutions. Suggestion:
Measures: record new values in the code of conduct, change the structure (hierarchy), design spaces to be more open, management must exemplify desired changes (e.g., eat lunch with employees, show yourself more often, take an interest, change leadership style, etc.)

Measures	Opportunities	Threats
New code of conduct	Implementation by employees	Changes only on paper
Structural changes	New positions, flatter hierarchy	Resistance from above by higher-ranking employees, everything remains the same
Design of spaces	Easier communication in open offices, no more barriers	Employees now ill at ease, feeling of being watched
Be an example	Management shows commitment, making cultural change possible, leading to favorable assessment and imitation by employees	Forced example, half-hearted, without conviction

D1 Functions of management – Solutions

p. 205

1

“Sociotechnical systems” include for-profit organizations, social service organizations, special-purpose associations and public-sector organizations where people and machines interact. They are the objects on which management processes act – that is, they are managed.

“Design” means the structural design of an organization: This includes both the organizing structure (definition of tasks, skills and responsibilities of the members of the organization) and the operating structure (structuring of operations or processes).

“Direction and development” reflect the dynamics of the business environment and thus the management tasks. In order to survive in the long term, the enterprise must employ appropriate measures to adapt to ever-changing conditions.

In an organization, the goal is specified by the strategy, which is why management is understood as “goal-oriented” design, direction and development.

2

a Individual solutions. Suggestion:

Ahead of federal elections, various political parties regularly campaign across Switzerland, fighting to promote their interests within the greater competition of the election season. These campaigns represent a task of the operational management of the political parties and can be illustrated by the management cycle. The election campaigns initially require careful planning. In this step, for example, the communications policy must be designed and campaign events coordinated. In a next step follow appropriate implementation and direction, then monitoring. All activities during the individual process steps must be in line with both the human and financial and tangible/intangible resources that the political party has available.

b Individual solutions. Suggestion:

Effectiveness involves the path to the goal – that is, the choice of the method and means to achieve the goal. In this context, for example, a political party must decide on the use of methods and means to design the most favorable campaign it can in order to perform well in the election. One example could be in seeing the increased use of the Internet as a new means of communication.

Efficiency refers to the economical use of these methods and means in the context of the relevant election campaign. In terms of efficiency, a political party must consider the optimal form, extent and timing of the use of its resources.

D1 Functions of management – Solutions

3

The activities of “design, direction and development” can all take place at all three levels of management. So the example of “design” of sociotechnical systems raises following questions:

- Normative level: What rules of conduct should be written down in the code of conduct?
- Strategic level: Should certain goods be produced in-house or should this production be outsourced (make or buy)?
- Operational level: Is the selected organizational form suited to making efficient use of available resources?

The same applies to the “direction” and “development” of organizations.

4

Wages can be paid only if the produced goods and services are sold on the market. It is the task of management to ensure the long-term survival of the enterprise. To this end, the normative, strategic and operational levels of management must be appropriately coordinated. Optimal products and services and a trustworthy customer relationship help to secure success.

5

Individual solutions.

D2 Management styles – Solutions

p. 214

1

- a Your friend is coming from a view of man that is based on Theory X, which states that man is basically lazy, likely to shy away from responsibility and can only be motivated by external incentives (extrinsic motivation). Employees are only prepared to work if they are forced to by the threat of sanctions. The management style prescribed under Theory X is characterized by tight management and strict supervision and monitoring (authoritarian management style).
- b In contrast to Theory X, Theory Y states that people are basically hard-working, prepared to work on their own initiative and intrinsically motivated. They derive motivation from the task itself, if they are given enough freedom to develop and take on responsibility. Judging from the assumptions of Theory Y, management that is too tight, supervision/monitoring that is too strict that allows too little responsibility would be counterproductive: Employees would lose their motivation and performance would drop. In other words, according to Theory Y, autonomy creates motivation, which in turn contributes to a greater job performance.

2

Individual solutions. Suggestion:

- a As the coach of an under-13 handball team, I would work to cultivate a management style that would be located, according to Tannenbaum and Schmidt (or Wundeler), between participatory/cooperative and delegative – depending on the situation. I would let the players have a say in the planning and implementation of training sessions: I would usually demonstrate only the type of training, such as “technical training” or “endurance training” and give the team the opportunity to propose concrete exercises to me. Whether these will ultimately be carried out or not, I’ll mostly decide by myself (participatory management style). Sometimes I also let the players vote on which exercises they want to do within the scope of my standards for the type of training (delegative management style).
- b As the players on my team are amateurs and also young, the focus should be on the joy of playing handball: The players come to handball training voluntarily to play sports and to have fun. For this reason, an authoritarian management style is not an option. However, as the players are young people around 11 to 12 years old, I don’t want to just give them free rein (democratic/autonomous management style): To minimize the risk of injury, I make the standards and let the players make their decisions within that scope.

3

Individual solutions.

4

a Individual solutions. Suggestion:

Note: The respective management principles are only a selection. Leadership elements for Rivella, SUVA and Tamedia have been presented, which indicate a certain leadership style.

D2 Management styles – Solutions

Rivella

Principle	Description
Delegating	You are willing to delegate tasks, skills and responsibilities to employees in a way that is fair and promotes individual responsibility . → delegative management style
Improvement process	You motivate the employees to question existing procedures and make recommendations for improvement. Our executives promote an innovation-friendly working environment. → cooperative management style

Further information at: www.rivella.ch

SUVA

Principle	Description
Planning	We consider the views of all the parties concerned before making a decision. → cooperative management style
Deciding	We decide according to customer benefits and costs. We define goals but leave some room to maneuver in the practical implementation. → delegative/participative management style
Directing	We accept decisions and implement them consistently. We express our expectations to employees clearly and explicitly. → patriarchal management style

Further information at: www.suva.ch

Tamedia

Principle	Description
Lead with the goal.	My employees know their goals. In order that they can achieve them, I delegate to them responsibility and authority; I trust in their skills and support them. This creates room for action and decisions. → delegative management style
The team delivers the success.	As a supervisor, I am part of a team where I participate in decision-making without giving up my managerial responsibilities. I respect every single team member as an individual who can bring in his or her own personal strengths. Outwardly, I stand by my staff, even if I have to criticize within the team. Mistakes are learning opportunities. → cooperative management style (somewhat ambiguous)
Managing is challenging and fun.	I can only manage successfully if I enjoy it, happily take on responsibility and have the courage to make decisions. By delegating, I carve out space and time for my managerial responsibilities. → delegative management style
There is no recipe for successful management.	Successful management does not follow a recipe but depends on my own personality. I am guided by reason, feeling and intuition and adapt my management style to the people and the situation. → situational application of management styles

Further information at: www.tamedia.ch

b Individual solutions.

5

The more collaborative management styles show that the supervisor trusts his or her employees and grants them a degree of freedom – with the ulterior motive of increasing motivation and improving the working environment. Under this management style, employees not only follow instructions but also think about the management and decision-making processes in the enterprise, participate in them and thereby gain a better understanding of internal relationships. In the literature, it is often argued that this kind of participation and assumption of responsibility leads to a better identifying with the enterprise, resulting in higher efficiency.

D3 Corporate governance – Solutions

p. 227

1

- a In most enterprises, teams are responsible for reporting on corporate governance. Those in charge of control and command work closely with the finance department, which provides important data, and with the legal department, which is consulted in order to assess risks. The external support of auditors, lawyers or other consultants is also often required.
- b Informing and (re-)training employees is associated with significant expenditures in terms of time and financial resources. Especially in large enterprises, it may be difficult to control the effective implementation because the required information can only be gathered with difficulty.

2

- a Individual solutions. Suggestion:
 Potential stakeholders and conflicting interests:
 - Employees (as much free time as possible) – supervisor (greater work effort for the enterprise/team)
 - Suppliers (high prices for supplies) – customers (low cost for supplied goods)
 - Management (high level of autonomy, little control) – board of directors (influence on operations)
 - Doctors (sell more expensive drugs, connection to an insurance company) – patients (buy cheaper drugs, low health insurance premiums)
 - Health insurance companies (high deductibles, high premiums) – insured (low deductibles, low premiums)
 - Teachers (high learning discipline of students, finished homework) – students (as much free time as possible)
- b In a company limited by shares, the shareholders are the principals, while the management (executives, including the CEO) represents the agent. The latter have the task of leading the enterprise in the best interests of the shareholders. This can often lead to conflicts of interest between shareholders (principals) and management (agent), which can then lead to agency losses. To prevent this, Swiss company law provides for a variety of co-determination and control rights that are available to shareholders and fall within the concept of “corporate governance”:
 - Art. 692 OR: Voting rights in the general assembly
 - Art. 696–697 OR: Control rights of the shareholder (insight into the annual report, right to disclosure and inspection)
 - Art. 697a OR: Right to initiate a special audit

3

Power	Enterprise	Democratic nation	Association
Legislative	Owner / Controlling bodies → General assembly	Parliament → Federal assembly	Association members → General assembly
Executive	Board of directors / Management	Government and public administration	Board
Judicial	Financial controlling → Auditors	Courts	Financial controlling → Auditors

Separation of powers between the executive, legislative and judicial branches in a democratic nation distributes governmental power to several independent bodies and is intended to ensure that freedom, equality and justice are ensured and that no person or institution in the nation has too much power. Separation of powers is reflected in the case of the enterprise where tasks are distributed among the general assembly (shareholders/owners), the board of directors and management (e.g., CEO) and where the board of directors and the auditors monitor the management. For the purposes of checks and balances, just like in the case of a democratic nation, the concentration of power in the enterprise should be counteracted (balanced), in that the bodies of the nation as well as the enterprise are subject to reciprocal controls (checks). The enforcement of the checks-and-balances concept appears to be particularly important in light of the principal-agent theory, which is based on the assumption that actors will seek to maximize their individual utility: Should any one person or institution have sole power, there is a danger that only those interests would be promoted.

In an association, the power is likewise shared. The tasks of the general assembly include making decisions (votes on items of business and the election of the board). The board shall implement these decisions. In financial terms, it is controlled by the auditors.

4

In Germany, the management and supervisory functions are staffed separately (two-tiered system). This means that members of the board are only responsible for the management and executives while members of the governing body are only engaged in control/monitoring.

In Switzerland, the board of directors takes on operational tasks in addition to the control function: Particularly important in this regard is that the board must not delegate its operational tasks to senior management (e.g., a CEO) or to third parties but can take these on itself (which often then case in smaller enterprises).

5

a Justifications for this form of organization:

- As a principal shareholder and director at the same time, Mrs. Reichmuth can best represent her own interests.
- She maintains an overview, because all information flows to her.
- The uncomplicated corporate structure makes high working efficiency possible (no long official channels that could delay decisions).

b Dangers:

- Minority shareholders could be disregarded.
- There is no guarantee of adequate oversight.
- Mrs. Reichmuth could put her personal interests above those of the enterprise.
- Family disputes might hinder positive enterprise development.

6

Individual solutions.

D4 Materials management – Solutions

pp. 240–241

1

- a The magic triangle consists of the following components, which are all the goals of materials management at the same time:
- Delivery readiness should be as high as possible.
 - Procurement costs should be kept as low as possible.
 - Capital commitment and warehouse operations: To keep the capital commitment as low as possible, stocks should be reduced to a minimum. In addition, the warehouse operations costs (cost of storage space, security, etc.) should be kept low.
- b Conflicts occur between the individual goals, so that not all goals can be achieved in equal measure. Examples of conflicts:
- Delivery readiness vs. capital commitment and warehouse operations: A high level of delivery readiness requires large inventories, which lead to high storage costs in the form of capital commitment and warehouse operations.
 - Procurement costs vs. capital commitment: In order to keep procurement costs low, large quantities of materials should be purchased (quantity discount). However, this leads to large inventories, raising costs in the form of a high capital commitment.
- c Because the individual goals cannot all be fully and simultaneously achieved, every enterprise needs to consider which goal should be given more weight.

2

The question of whether Migros should keep large stocks on hand at all times does not have a simple answer. The magical triangle states that stocks should be kept small due to the capital commitment. This also makes sense, given the wide range of products that Migros offers, because some of the goods (especially in the area of foods) are highly perishable and may no longer be sold after the sell-by date. Unsold goods bring Migros no revenue for the expenditure that has already taken place. This argument would seem to favor the keeping of smaller stocks. On the other hand, it should be noted that Migros also strives to remain at a level of a high delivery readiness, so that customers are not faced with empty shelves. Missed purchases due to a too low delivery readiness also lead to costs for the retailer. This objection speaks for larger inventories.

3

Warehousing costs	Examples
Warehouse operations	Rent expenses, energy costs, insurance of the stored goods, maintenance and repair, cost of inventory risk (e.g., theft, fire, etc.)
Capital commitment	Loss of interest from alternative investment opportunities (opportunity costs)

D4 Materials management – Solutions

4

- a 1993 the two graphic designer brothers Markus and Daniel Freitag produced a bag made from recycled materials (lorry tarpaulin, discarded bicycle inner tubes and car seat belts) in the living room of their shared flat. Meanwhile, their products are sold in 26 FREITAG stores and over 300 different sales partners all over the world. Additionally, over 4,000 one of a kind items are sold on the FREITAG online store.

The philosophy of FREITAG lab. ag is “We think and act in cycles”. The recycling economy thus lies in the center of their idea.

FREITAG lab. ag uses the following materials:

- Used lorry tarpaulin. These are systematically selected according to a colour concept and processed. The quality has to be right. FREITAG has employed an own “Truckspotter” for this task.
- Self-made fabrics from bast fibre

Further information at: www.freitag.ch

- b Raw materials (used):

- Bicycle tires
- Truck tarpaulins
- Seat belts

Supplementary materials:

- Thread
- Cutter
- Templates

Supplies:

- Water
- Detergents
- Power (renewable)

Subassemblies:

- Imprint (FREITAG®)
- Adjustable buckle

Accessories:

- Instructions for each product (booklet)
- Packaging, with description of the product

- c Procurement process:

- Determining materials requirements/procurement requirements for production: Since the product is very specific and there had never been a market for it, determining materials and procurement requirements will have been quite difficult, especially in the startup phase.
- Supplier selection: This step could also be difficult, given the type of material. In contrast to normal consumer goods, there would be no variety of suppliers from which to choose; instead, enterprises would have to be asked in order to come up with suppliers.
- Inconsistencies in the procurement, no constant supply possible.

D4 Materials management – Solutions

5

Advantages	Disadvantages
<ul style="list-style-type: none"> • No capital commitment • No storage or warehousing costs • No loss of value through warehousing • Reduction of lead times 	<ul style="list-style-type: none"> • Dependence on suppliers and traffic conditions • Production stops with any delivery delays (no buffer times) • Increased volume of traffic • Increased information and coordination efforts

6

a

Stock item	Quantity (units)	Cost price per unit (CHF)	Absolute value (CHF)	Relative value (%)
1	55,000	12.00	660,000	27.5
2	30,000	9.80	294,000	12.2
3	20,000	40.00	800,000	33.3
4	4,360	77.00	335,720	14
5	150,000	0.50	75,000	3.1
6	200,000	0.30	60,000	2.5
7	9,300	19.00	176,700	7.4
Total	468,660		2,401,420	100.0

b

Category	Stock item
A goods	1, 3, 4
B goods	2, 7
C goods	5, 6

- c It would be worth pursuing cost optimization with the A goods. These items have a high value and lead to correspondingly high storage costs in the form of high capital commitment. In this case, measures to optimize costs for Articles 1, 3 and 4 can be justified. These stock items possess a 74.8 % relative share of the total value of the inventory.

7

Category	Good	Reason
X goods	Energy-saving lightbulbs, detergent, printer cartridges	Consumption is relatively stable and subject to only minor fluctuations. The forecasting accuracy is therefore quite high. Little or no stocks of such goods need to be kept on hand because of the constant consumption.
Y goods	Ski tickets, sunscreen, heating oil	Consumption is somewhat variable. The fluctuations frequently result from the seasonal nature of demand for these goods. The forecasting accuracy is therefore limited, which means some limited stocks should be kept on hand.
Z goods	Spare parts for coffee machines	Consumption is subject to great fluctuations. The forecasting accuracy is correspondingly low. Such products should, in the case of inflexible suppliers, be kept in stock.

D4 Materials management – Solutions

8

- a
 - **Holding:** milk stored in large tanks for further processing, vegetables, such as potatoes, which can be stored for a longer time.
 - **Safeguarding:** spare parts for a mechanic, raw materials for Freitag bags.
 - **Speculation:** crude oil, which tends to always increase in price.
 - **Finishing or revision:** wine, which gains value only through being stored.
 - **Assortment:** display of garden furniture in spring.
- b
 - Milk production and vegetables are natural and seasonal goods. Storage allows for bridging the period between harvests (milking) and consumption.
 - Mechanics, like other service providers, must be prepared for eventualities. Through the storage of spare parts, the mechanic can respond more flexibly to customer needs and significantly increased the amount of work that can be done.
 - The price of crude oil tends to rise steadily, and it will probably continue to do so; buying and storing this commodity today can lead to big savings over time, depending on storage costs.
 - Wine is an asset that only increases in value through being stored, so the storage time is essential both for the taste and for the selling price.
 - Each spring, at the beginning of the season, the retailer will display its garden furniture. Displaying these items not only has marketing-related benefits but can simultaneously be considered as warehousing.

9

- a Average stock = $(540 + 580) / 2 = 560$
- b Stock turnover = $2,000 / 560 = 3.57$
- c Average storage period = $360 \text{ (days)} / 3.57 = 100.84 \text{ (days)}$
- d Stock would no longer need be to be held, which would give the three indicators (average stock, stock turnover, average storage period) a value of zero.

D5 Production process – Solutions

pp. 257–258

1

The tasks of production involve the planning, implementation and monitoring of the manufacture of goods. The “six R’s of production” describe the objectives of production: The Right amount of the Right objects are to be built in the Right place at the Right time in the Right quality at the Right cost.

2

Production program breadth means the number of product types produced by an enterprise. In this case, three different types of products offered:

- Bouquets
- Floral decorations
- Flower arrangements

Production program depth means the number of products that are produced within a product type. Under all types of products (bouquets, floral decorations and flower arrangements), three different variants are offered. Using the example of the floral decorations, they can be purchased with roses, tulips or mixed.

3

Advantages	Disadvantages
<ul style="list-style-type: none"> • Diversification of risk • Better sales opportunities • Waste from other products could possibly be used 	<ul style="list-style-type: none"> • Possibly higher costs (e.g., advertising expenses for each product) • Difficult-to-manage operating structure • Prevents specialization • Changing the production line leads to idle times

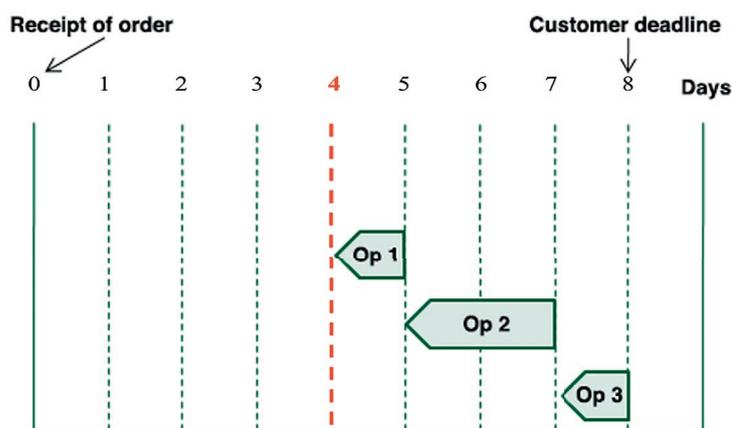
4

Work operations	a Work step	b Component of lead time
Op 1: Preparing the dough	Prepare workspace Prepare the dough Let the dough rest	Setup time Execution time Idle time
Op 2: Preparing the pizza	Prepare workspace Roll out the dough Wash and cut up toppings Cover the pizza with toppings Bake the pizza in the oven	Setup time Execution time Execution time Execution time Idle time

D5 Production process – Solutions

5

- a In forward scheduling, the earliest finish date for production is calculated in accordance with the duration of individual operations (Op). The starting point for the calculation is the date on which the production order is received. Backward scheduling, in contrast, determines the latest possible start date of a production order and plans the operations (Op) from the delivery date back to the present.
- b Forward scheduling is characterized by high on-time security for jobs and a low time pressure during production. However, the time reserve between the end of production and the customer appointment leads to larger stocks and thereby higher costs for the capital commitment. Backward scheduling minimizes the capital commitment and therefore the cost of storage. On the other hand, there is high time pressure in production, and the lack of time reserves increases the likelihood of unexpected events (e.g., absence of an employee due to illness) leading to delivery delays.
- c Latest start date: Day 4



6

- a Flow production: skis, cars, cigarettes, pasta
Workshop production: luxury watches, exclusive jewelry, designer clothes
- b Production process is closely linked with production type. The examples of flow production mentioned in a are all of the production type “multiple production”. A tailor-made product (“individual production”) requires workshop production.

7

Indicator	Formula	Calculation
Profitability	Profit / capital employed	CHF 200,000 / CHF 1,650,000 = 0.12 → 12%
Productivity	Production and sales volume / hours worked in production	6,000 units / 24,000 hours = 0.25 units per hour
Efficiency	Revenues / expenses Revenues = Production volume · net revenue per unit Expenses = Materials costs + personnel costs + other costs	$3,000,000 / 2,800,000 = 1.07$ $3,000,000 = 6,000 \cdot 500$ $2,800,000 = 1,500,000 + 1,200,000 + 100,000$

D6 Environmental management – Solutions

pp. 268-270

1

While it may be true that environmental protection incurs costs in the short term, ignoring environmental protection is also costly in the medium term – often even more so! This is because, in ignoring environmental protection measures, any number of opportunities could remain unexploited: energy and materials savings as well as the opportunity to gain a better positioning in the market through a good corporate/product image.

2

- a Individual solution.
- b Individual solution.
- c Individual solution.

3

Product/Service	a Life phase	b Measure
Bicycle	Resource extraction	<ul style="list-style-type: none"> • Periodic maintenance prolongs the bicycle's life • Use environmentally friendly materials • Buy used bicycles
Mineral water	Transport/storage	<ul style="list-style-type: none"> • Tap water or water from the region • Use environmentally friendly transport (rail)
Asparagus from California	Transport/storage	<ul style="list-style-type: none"> • Prefer local seasonal products • Perhaps use environmentally friendly means of transport (train, boat)
Chlorine	Disposal	<ul style="list-style-type: none"> • Find alternative solution
Elevator	Usage	<ul style="list-style-type: none"> • Automatic lights • Promote using the stairs (fitness)
Heating system	Usage	<ul style="list-style-type: none"> • Better building insulation • Triple-glazed windows • Shorter airing-out in winter • Use environmentally friendly energy (heat pumps)

4

- a An aluminum chair is a resource-intensive product. Possible measures include:
 - Material choice: use alternative materials
 - Material savings: use less material through improved design
 - Increase the usable life of the chair by improving maintainability and reparability

D6 Environmental management – Solutions

- b A car is a usage-intensive product. Possible measures include:
- Improve the functionality of the product (e.g., convertible with a firmly mounted roof, so that no second car is needed for the winter)
 - Make maintenance and servicing easy and attractive
 - Reduce consumption during usage (e.g., with an economical engine)
 - Prevent waste during usage (e.g., use of individual pieces so that, in the case of an accident, large subassemblies don't need to be replaced)
 - Safety measures to prevent accidents and thus of repair and material expenses (e.g., automatic lights, beep when temperatures fall below freezing, park distance control)

5

The energy savings might mean the students could be tempted to leave the lights on for longer, the teachers could request brighter light (100 instead of the current 80 watts) and the custodian could install more lights around the outside of the schoolhouse.

In addition, the teachers could ask for higher room temperatures, the students might leave the windows open for longer during breaks, and the custodian might no longer bother to keep lowering the room temperature over the holiday break.

6

Although the relative environmental impact has fallen by 20% through the use of advanced propulsion technologies, a greater absolute environmental impact appears to be quite possible due to the rebound effect. Thus, although increased by the lower fuel consumption, the eco-efficiency (relative improvement), it is quite possible that, for example, an individual who would previously have used a bicycle for transport might switch to a car, a motorist might end up driving more kilometers than before, or use the gain from the fuel savings to book a holiday in Australia. Thus, the ecological benefit has been more than offset.

7

Individual solution.

8

Individual solution.

9

Individual solution. Suggestion:

a

1. Activity	2. Reduction measure
Getting to school	Ride a bicycle instead of a moped
Taking notes	Write on both sides of the paper, use recycled paper
Food/Catering	Reduce meat consumption

D6 Environmental management – Solutions

b

1. Activity	2. Reduction measure
Use of aids in the classroom	Usage of high-efficiency devices
Movement within the school building	Take the stairs instead of the elevator
Use of documents	Make fewer copies and, when copies are needed, print on both sides of the paper. Alternatively, use ebook
Educational trips	Only via train; airplane trips are no longer authorized
Food/Catering	School canteen pays attention to seasonal and regional products
Room temperature (especially during winter)	Air classrooms intensely but quickly Close the blinds overnight in order to ensure better isolation of the building
Water	Set a timer in the showers in order to reduce water consumption
Waste	Provide different litters for waste separation
Light	Energy-saving lamps
Cleaning	Use bio-degradable detergents, dose small quantities

D7 Marketing overview – Solutions

pp. 285-287

1

- a An enterprise is in contact with the procurement and sales markets. From a marketing perspective “market” refers to the sales market, meaning the entirety of parties which could constitute for potential buyers.
- b Three conditions must be met for generating demand for a good or service: First, a deficiency must be perceived. Secondly, the desire must be present to overcome this deficiency by purchasing a good. Finally, the financial resources must be available.

2

The term is ambiguous. Firstly, it can be understood to contain a guiding philosophy according to which, the management of the entire enterprise is to be aligned to the market and, thereby, to customer desires. On the other hand, marketing is also a function of the enterprise, which ensures the flow of products and services from producer to consumer or user.

3

A marketing plan is a holistic action plan containing goals as well as appropriate strategies to achieve the goals. Components of the marketing concept are market analysis, marketing strategy and marketing mix. The marketing concept is located on the strategic and operational levels of marketing.

4

Strengths	Opportunities
<ul style="list-style-type: none"> • Existing collaborations constitute a precious resource for the business, as they enable the access to a large part of the Asian and European market and can be used to partially outsource customer service. • Tesla disposes over an own ion lithium battery production. • The combination of the technical know-how and the capabilities of the company to produce high-quality and eco-friendly high performance cars present a strength. 	<ul style="list-style-type: none"> • New collaborations: Tesla must use the opportunity of an undersaturated electric vehicle market and form new cooperation networks in order to gain access to new markets. • Open Source Patents: Tesla publish their technology’s programming code. Thereby, Tesla promotes the exchange of knowledge and formation of synergies among electric vehicle producers. • Ion lithium batteries in the product diversification: Tesla can make use of product diversification and provide ion lithium batteries to interested parties beyond the electric vehicle market.
Weaknesses	Threats
<ul style="list-style-type: none"> • Cost Structure: by partially insourcing the production of certain components (in-house production) the company is confronted with relatively high costs per unit within their production. In order to overcome this issue, the production would have to be increased, which turns out to present a rather difficult strategy, given the technical status quo. 	<ul style="list-style-type: none"> • Foreign competitors: Tesla is confronted with Asian competitors, who produce high-quality electric cars, which rely on more sophisticated engineering and fuel efficiency. • Strong competitors within the US: Tesla is confronted with strong US-based competitors such as GM or Ford from the classic automobile market. • Well-known classic car producers still dominate the market. Furthermore, a number of them have also entered the electric vehicle market.

D7 Marketing overview – Solutions

5

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong market position and renowned reputation among users. • Resources: <ul style="list-style-type: none"> • Access to over 40 Million songs. • Personalized playlists: users can either let the algorithm suggest them playlists tailored to their taste or create their own. • Access on all surfaces (mobile phone, computer, tablet, etc.). • Capabilities: <ul style="list-style-type: none"> • Spotify cooperates with a variety of media and platform partners in order to generate more reach within the distribution of their service. • Spotify aims for consistent innovation enabled by their narrow business hierarchy and their agile teams. 	<ul style="list-style-type: none"> • Since Spotify creates a large part of their return with the use of advertisements, their business model is not only dependent on the acquisition of artists' licences but also relies on the acquisition and loyalty of customers. • Spotify has to ensure the compensation of artists, record owners, publishers and songwriters. • Although the number of users is increasing, this effect is equalized through the effect of the price reduction offered within the purchase of a Spotify Family Account (multiple users can access the streaming services through the same account).
Opportunities	Threats
<ul style="list-style-type: none"> • Growing market for music streaming services (the streaming market made up for 62% of the American music market in 2017). • Growing influence of numerous streaming service providers (synergy effects). • Growing number of smartphone users in developing countries present potential users of Spotify's streaming services. • Spotify benefits from a well-known name and a positive reputation, increasing the chances of users buying a new product offered by the company. • Artificial intelligence (AI) and virtual reality (VR) simulations present an emerging market among which Spotify could manage to increase sales when smartly implemented. 	<ul style="list-style-type: none"> • The streaming market is an emerging market characterized by uncertainty. • Spotify is confronted with a number of strong competitors (e.g. Apple, Amazon and Deezer). • In the long run, the streaming market will be faced with a consolidation process, intensifying the competition among the future remaining market participants.

6

Phase	Description	Mobile calling
1	Emergence of demand	Desire to be always reachable
2	Different decision-making processes, information acquisition and processing	Compare prices and performance of different mobile operators
3	Selection of a product/intention to purchase	Decision for a particular offer from a mobile service provider
4	Buying behavior	Signing a contract
5	Use and information gathered	Using the service of the selected mobile provider
6	Disposal	–

7

Individual solution. Suggestion:

Product/service	Buying motive
Backpack/bag	rational: quality, price, functionality emotional: brand, group membership
Snowboard jacket	rational: quality, price, old jacket was too small or worn out emotional: brand, prestige
Haircut	rational: quality, price, hair just too long, hairdressers in a preferred location emotional: beauty, pleasure
Train pass	rational: quality, price, the pass had to be renewed anyway emotional: love to ride trains

8

a

Market size	Example: Swiss market for toothpaste
Market capacity	All residents of Switzerland
Market potential	The theoretically highest possible sales volume of all toothpaste brands serving the Swiss market, taking into account buying power
Market volume	The actual sales volume realized by all companies in the Swiss market for toothpaste
Market share	Percentage share of the sales volume of a company (e.g., Elmex) out of the entire market volume

- b The primary goal of any business is to continuously increase sales. Growing sales can be achieved either by gaining additional market share or maintaining a constant market share as overall market volume increases.

Increase market share: Increased market share can be achieved by squeezing the competition out of the market. This is done either through the launch of successful advertising strategies and activities or through products that have a quality advantage of over those of the competition.

Increase market volume: It is difficult for an individual company to increase overall market volume through the use of marketing activities. The demand for toothpaste (and thus the market volume) could, for example, increase as a result of research findings. A manufacturer of toothpaste could therefore invest in the research work in the field of oral hygiene and so sustainably increase demand for its toothpaste.

9

Primary research: Through primary research, an enterprise can gather very accurate and timely information, which is highly adapted to its information needs. However, primary research is very costly because work must be paid for, whether internal or external (e.g., by market research institutes). In addition, a certain level of methodological expertise is necessary for collection of data.

Secondary research: The main advantage is that it can minimize the cost of data collection. However, the information may not cover current and specific information needs of an enterprise. In addition, the data are often condensed and thus less meaningful or directly relevant.

D7 Marketing overview – Solutions

10

- a Market share corresponds to the percentage of the sales volume in terms of the total market volume. As it comes to the determination of numerical values, “Iocaba” needs quantitative market research. The sales volume can be determined from existing data and from the company itself. For the determination of the market volume, the company can draw on existing data under certain circumstances. Thus, the company would perform secondary research. However, if “Iocaba” cannot rely on existing data, it must perform primary research to quantify the market volume.
- b To find out customer response to a redesigned chips package, a company that makes chips should ideally perform both quantitative and qualitative market research. For this, the company cannot rely on existing data, so it must collect the data itself or have it collected for it (primary research). A company that makes chips could conduct a survey (quantitative survey or qualitative discussions with customers) or an experiment.

11

Individual solutions. Suggestions:

- a Socio-demographic segmentation criterion: age

Customer group	Opportunity for the enterprise	
Young people	Product: Price: Advertising:	as many functions as possible, constant innovation, individual and eye-catching design, accessories low-price segment youthful design and technical details
Adults	Product: Price: Advertising:	devices that offer basic functions – such as phone calls, SMS, MMS – with easy operation mid-price segment show that mobile phones may be very helpful (perhaps lifesaving?) in certain situations, work to overcome resistance, focus on emotions rather than on technical details
The elderly	Product: Price: Advertising:	easy to use device with only a few large buttons, speed dial options, option to call by selecting photos instead of typing in numbers lower-price segment emphasize the age-appropriateness of the product, do not mention any technical details, choose simple language

Socio-demographic segmentation criterion: gender

Customer group	Opportunity for the enterprise	
Women	Product: Price: Advertising:	pretty, special design of the handset, flashy colors, female-friendly operation (for example, designing the keyboard so that women with long fingernails can operate the device easily) all price segments emotional advertising, emphasize individuality
Men	Product: Price: Advertising:	unobtrusive design, practicality, accessories (e.g., special covers), many functions all price segments highlight technical details, emphasize many features, more informative than emotional advertising

D7 Marketing overview – Solutions

b Two-dimensional positioning model

Age	young		
	old		
		male	female
Gender			

12

Product	Price	Place	Promotion
<ul style="list-style-type: none"> Broad product palette (PCs, notebooks, servers, monitors, ultrabooks) High quality Mobility and individuality of products Pre-installation of software Advice 	<ul style="list-style-type: none"> Good value for money Price advantage through direct sales Discounts and special offers 	<ul style="list-style-type: none"> Direct sales channel (customer can place an order directly over the Internet or by phone/fax) 	<ul style="list-style-type: none"> Informative advertising with a focus on technical details Newsletter about special offers

13

Individual solutions. Suggestion:

Product	Price	Place	Promotion
<ul style="list-style-type: none"> E-mountain bikes for maximum riding enjoyment on any terrain Accessories (e.g., toolkits for repairs on the go, click pedals, helmets) Service: Configurator on the website, so customers can specify their e-bike from home (models, frame sizes, colors, motor, shifting, etc.) Service: Intro to e-bikes courses in various regions Service: Tours for customers led by experienced bike guides 	<ul style="list-style-type: none"> Premium pricing segment Reduced fees on courses and guided rides with the purchase of an e-bike 	<ul style="list-style-type: none"> Indirect sales: Supply various bicycle dealers across the whole of Switzerland Direct sales: Open a showroom at the factory to sell e-bikes directly to customers 	<ul style="list-style-type: none"> Advertisement: Install charging stations along popular bike routes Public outreach: Factory tours for riding clubs

D7 Marketing overview – Solutions

14

Example	Market	Reason
Market for books	Buyer's market	The supply of books is huge and competition among suppliers fierce.
Market for senior care in nursing homes	Sales market	The supply of spaces for the elderly is small when compared to the demand. Many seniors end up waiting months for a place in a nursing home.
Market for fresh fruit	Buyer's market	The supply of fresh fruit is large, so tough competition conditions prevail.
Market for lawyers or cardiac surgeons	Sales market	The supply of lawyers and cardiac surgeons is limited. The knowledge and skills raise the two specialists into a position in which the buyer has minimal bargaining power.

D8 Product policy – Solutions

p. 297

1

- a Intrinsic value: objectively measurable product characteristics (e.g., size, material)
Extended value: subjective attributions of characteristics (e.g., image, brand)
- b Individual solutions. Suggestion:
- Product: iPhone
 - Intrinsic value: apps, large display, materials, user-friendliness
 - Extended value: modern design, Apple brand, prestige

2

Individual solutions. Suggestion:

The assortment breadth of Migros and Aldi are similar, but the assortment depth is more pronounced at Migros – i.e., different products and varieties of one type of product are offered.

3

Product: milk

Function	Description
Transport and protection function	The milk must be protected from contamination and be able to be stored in a reasonable manner.
Information function	The milk packaging informs customers about price, ingredients, shelf life, etc. It's also where the barcode is printed, which allows for fast scanning at the register while at the same time providing the company with sales information.

Product: medication

Function	Description
Transport and protection function	The packaging of medicines must be such that the products are protected remains sterile when faced with the outside environment as well as temperature fluctuations.
Information function	The packaging of medications must inform customers about how it is to be used, its effects and potential side effects. In addition, active ingredients and the expiration date must be visible.

4

- a Product design M-Budget:
- Design/shape: green and white, big orange M, design should be simple, but the low cost products should be instantly identifiable to the customers
 - Packaging: design should be simple, Migros has chosen a certain style that gave rise to a cult following
 - Branding: store brand
- b The Migros customer should always be able to easily recognize the cheaper products. Through this, Migros tries to bind their customers to itself and its store brand. Customers associate the simplicity of the packaging with “inexpensive”. Such an association reinforces perhaps a lower level of expectations by customers.

D8 Product policy – Solutions

c Addressed market segments: Lower-income groups, students, bargain hunters, price-conscious buyers
Further information at www.migros.ch

5

a

Core	Additional service characteristics	Extended services
<ul style="list-style-type: none"> • Train trip from A to B • Interval timetable • Connecting trains 	<ul style="list-style-type: none"> • Design of the train and the compartments • Seat designs • Layout of the spaces • Air conditioning • On-screen displays (stations, connecting trains, delays, additional information) 	<ul style="list-style-type: none"> • Special compartments such as child compartments, restaurant cars, sleeping compartments, etc. • Ability to charge electronic devices • Wi-Fi • Baggage check • Transport for the handicapped • Information services

b Intrinsic value: Satisfying the need for mobility

Extended value: Recognition of ecological mobility behavior; luxury, calm and space when traveling in first class

D9 Pricing policy – Solutions

pp. 314-315

1

- a The tasks of pricing policy include pricing design, price differentiation and price implementation for products and services. The primary goal of pricing policy is the maximization of profit. Other goals include increasing sales, revenue and market share, building a certain image, and customer acquisition and retention.
- b Price is an important point of reference in purchasing decision processes. Changes in the pricing policy can therefore lead to quick reactions of market participants. The amount of the price has a direct impact on the sales volume. Although price reductions can increase the sales volume, they can at the same time reduce the profit margin. Considerations in the pricing design must therefore be well thought-out. The redesign of a package (marketing tool product design) does not have the same strong impact on sales and profits.

2

- a Individual solution.
- b Individual solution.

3

- a Public passenger transport is not only subsidized by government, but also represents a monopoly. There are therefore no direct substitutes. Furthermore, the transport is a service, which means it does not keep and therefore has no permanence. Especially for commuters, the result is, in addition to this lack of permanence, the problem of urgency. All these factors make the good “public transport” particularly inelastic. Furthermore, the supply has been immensely broadened.
- b During peak hours in the morning and the evening the trains are crowded with commuters. In contrast, throughout the rest of the day as well as the weekends, the trains are only sparsely used to their capacity. Supersaver Tickets are thus supposed to trigger an incentive in order to utilize the trains to their capacity more evenly by avoiding travelling during peak hours.

4

$$\begin{aligned}\text{Contribution margin} &= \text{Market price} - \text{variable costs} \\ &= \text{CHF } 12 - \text{CHF } 9.50 \\ &= \text{CHF } 2.50\end{aligned}$$

The contribution margin is positive, so the pizza contributes to covering fixed costs. “Food AG” should therefore add the specialty pizza to its assortment.

5

Sales volume: 50,000 units
Variable costs (VC): CHF 2.50/unit
Fixed costs (FC): CHF 20,000
Profit margin: 12%

D9 Pricing policy – Solutions

- a** Unit cost = VC + share of FC
 = CHF 2.50 + (CHF 20,000 / CHF 50,000)
 = CHF 2.90
- b** Selling price = Unit cost · (1 + profit margin)
 = CHF 2.90 · (1 + 0.12)
 = CHF 3.25
- c** Contribution margin/unit = Selling price – VC
 = CHF 3.25 – CHF 2.50
 = CHF 0.75
- Break-even sales volume = FC / contribution margin/unit
 = CHF 20,000 / CHF 0.75
 = 26,667 units

6

Demand-oriented price determination: The starting point is customers' willingness to pay, where the price of a good is determined according to this willingness to pay.

Cost-oriented price determination: The starting point is the cost of the product or service, where the optimal price is determined according to the cost-element-percentage method (cost + profit margin).

Competition-oriented price determination: The starting point is industry-standard prices for products and services, where the enterprise bases its the price determination on the prices of its competitors.

7

a Pricing strategy	b Description	c Example
Premium pricing strategy	Prices remain consistently high	IWC watches
Promotional pricing strategy	Prices are intended to be set consistently low	Low-price airlines such as Ryanair
Skimming strategy	Price changes over the product lifecycle: A high introductory price is lowered over time to attract new groups of buyers	Hardware (e.g. hard drives), television
Penetration strategy	Price changes over the product lifecycle: Low introductory price will be increased over time. The aim is a rapid market penetration at the beginning of the lifecycle.	Kinder Pinguí (often when launching products in retail stores)
Price differentiation	Products and services are offered to different customer groups at different prices. The aim is to maximize the producer surplus.	Movie tickets (special rates for young people, students, seniors)

D9 Pricing policy – Solutions

8

Coop and Migros operate a mixed strategy. Both enterprises offer products, whose prices are set according to the premium pricing strategy (“Fine Food” at Coop and “Sélection” at Migros). At the same time, products are offered at prices that are set consistently low (“Prix Garantie” at Coop and “M-Budget” at Migros), with which the enterprise pursue a promotional pricing strategy.

Aldi and Lidl, in contrast, mostly pursue promotional pricing strategies. The corporate mission statements talk about optimal price-performance ratio or value for money. Aldi and Lidl want to offer products at the lowest possible prices. This is enabled by low costs (e.g., warehousing).

Further information at www.coop.ch, www.migros.ch, www.aldi.ch, www.lidl.ch

9

Individual solution.

10

a Individual solution.

b Prerequisite: The goods must be homogeneous.

D10 Distribution policy – Solutions

p. 326

1

The choice of distribution provider is closely linked to the sales channel. If products and services are to be sold through in-house distribution bodies, the enterprise employs a direct sales channel. However, in the case of an indirect sales channel, goods reach the customer through an external distribution provider. The intermediate is a potential external distribution provider. Distribution through an intermediary is always concluded through an indirect sales channel.

2

a The companies that sell their branded products at the Landquart Fashion Outlet (e.g., Nike, Puma, Odlo, Quiksilver, Diesel, Geox, Tommy Hilfiger, Lacoste, Navyboot, Hugo Boss) have leased storefronts and sell their products directly to customers. The distribution of the products thus takes place via direct sales channels. The manufacturer of branded products acts as an immediate seller to consumers at its factory outlet. There are no intermediaries between the companies and the end users (external distributors, such as retailers) for the sale of the goods. The individual factory outlets are sales branches, which are operated directly by the branded goods manufacturers and classified as in-house distribution organs.

b

Advantages of factory outlets	Disadvantages of factory outlets
<p>For the enterprise</p> <ul style="list-style-type: none"> • The company is in direct contact with its customers → any changes in the market can be recognized earlier • The company is not dependent on sales intermediaries • Control of how products are presented to customers • Freedom to determine own pricings and conditions • The company opens up an additional sales channel (alongside indirect sales through various retailers and the internet as a direct sales channel) through which it can increase sales. In addition, the factory outlets allows the company to sell remaining stock from the previous year's production, clearance goods, small runs of trial products, and market seconds. • Brand recognition among customers can be increased. In the ideal case, new customer groups can be interested, which would develop new customer potential and brand potential could be better exploited <p>For customers</p> <ul style="list-style-type: none"> • Customers can afford branded products despite lacking the required buying power • Customers can buy comparatively inexpensive branded products 	<p>For the enterprise</p> <ul style="list-style-type: none"> • The building and operation of a direct sales location with its own workers requires or ties up additional capital (high fixed costs): The purchase or lease of property as a sales office, payroll, etc. • The company cannot profit from the market knowledge of an intermediary • Selling the newest items can have negative consequences for other sales channels (e.g., competition with retailers). • The risk that customers' impression of the brand could be negatively affected (e.g., exclusivity, if branded items should be sold at the outlet at prices that are too sharply reduced). This could affect the positioning of the brand in the target market. <p>For customers</p> <ul style="list-style-type: none"> • Limited or different selection than in retail stores

D10 Distribution policy – Solutions

3

General information on McDonald's franchise model is available at www.mcdonalds.ch.

- a
 - Right to own your own restaurant under the McDonald's brand
 - Know-how from McDonald's
 - National advertising
 - Favorable terms when purchasing goods
 - Competent advice
 - Training
- b
 - Social skills (experience in dealing with employees)
 - Personal responsibility
 - Entrepreneurial spirit
 - Customer-oriented approach
 - Business experience (human resources management and cost management)
 - Financial resources
- c Individual solution.

4

The main task of physical distribution is the arrangement of delivery service and the transport of goods. The enterprise must consider in principle whether the task of physical distribution will be handled by the enterprise itself or whether a shipping company should be used and this activity outsourced. If an enterprise decides to handle the transport of goods itself, it must be established with which transport mode this should be accomplished.

5

- a Airplane: The goods must arrive at the destination as soon as possible. Air transport is best suited for the distance St. Gallen–Hamburg, although high costs and a large environmental impact will be incurred.
- b Ship: As Rotterdam and Genoa are both located on water, transport by ship would be a first consideration. Transport by ship promises relatively low cost and environmental impact, and is particularly well suited for heavy goods. Transport takes rather a long time, but the time factor plays a minor role in the present case.
- c Truck: Due to their proximity, transport by truck would serve for the delivery of fruits and vegetables from Wil to Winterthur, thereby minimizing environmental impact, cost and time.

D10 Distribution policy – Solutions

6

Advantages + / Disadvantages –

Criteria	Mail order	Stationary retail
Time	+ Purchase at any time of day or night – Delivery times may deter customers	– Customer is tied to certain hours of operation
Cost	+ No costs for retail space, sales staff – Cost of packing staff – Postage and packing costs	– Cost of retail space – Cost of sales staff – Travel expenses for customer
Selection	+ Tends to offer greater selection – Certain products may still be displayed in the catalog, even though they have long been sold out	+ Customer can see and touch the goods (e.g., trying on clothes) – Tends to offer smaller selection
Advice	– No personal advice possible – or, at best, over the phone	+ Personal advice + Shopping as an experience
Environment	+ Concentrated storage of goods (presentation not necessary) + Entire assortment can be presented online, making catalog superfluous – Thick, expensive, glossy catalogs (if not presented on a website) – Every third package is sent back	– Distribution is wasteful – Sales area pollutes the environment (electricity and heating) – Every customer needs to drive from their home to the location

D11 Communications policy – Solutions

pp. 338–339

1

Communications policy covers all information relationships of an enterprise related to influencing the relevant environment. The goal of the communications policy is to influence the behavior of potential and current customers in the market. In addition, an appropriate communications policy seeks to present the enterprise to the public in a positive light (positive corporate image).

Communications policy is closely associated with product, pricing and distribution policies. The decisions in the individual areas are shared externally by the communications policy. An advertising campaign contains, for example, information about the product (quality, brand), pricing (e.g., discounted pricing), or distribution (efforts to reduce CO₂ emissions in the physical distribution).

2

Individual solution. Suggestion:

Communications instrument	Measure
Advertising	<ul style="list-style-type: none">• TV spot that draws attention to the new product, competition and healthful aspects
Promotion	<ul style="list-style-type: none">• Competition: Winners receive 20 free soup packets and a kettle• Giving out product samples at the train station
Personal sales	<ul style="list-style-type: none">• Booth at a trade show where samples are given out
Public relations	<ul style="list-style-type: none">• Press release: Present "SoupCup" as a healthy enterprise

3

Individual solution.

4

Banner ads are eye-catchers – they appeal primarily to the target groups that call up the respective websites. An enterprise therefore has to think about which websites are preferred by its target audience and place such banner ads accordingly.

The goal and message of such advertising is to make people aware of the enterprise (or, possibly, specific products). The aim is to design the ads to be as conspicuous as possible in order to entice readers to click on them.

D11 Communications policy – Solutions

5

Individual solution. Suggestion:

Considerations	Result
Target group	The advertising activity should mainly address females and males between 16 and 25 years old, who have a relatively high ecological awareness and enjoy listening to music outdoors. The t-shirts are compostable.
Advertising goal	In a first step, the target group should become familiar with the t-shirts. Hereby the specific offer of few, yet original, images are within the focus.
Advertising message	The ecological message, combined with fun, should be transported. The advertisement should motivate the adolescents to visit an Open-Air concert and treat resources with care.
Advertising medium	To be able to appeal to the defined target group in a most efficient way, the advertisements should be channeled via billboards and social media channels.
Advertising period	The planned annual advertising campaign should be aligned with the Open-Air season. It should kick off end of May.

6

Individual solution. Suggestion:

Criteria	Swisscom	Salt	Sunrise
Advertising subject	Anyone, from young to old	Anyone, but more of a focus on the younger generation	Anyone, but more of a focus on the younger generation and businesspeople
Possible advertising goals	Enterprise is already known, so focus is on a differentiation from what competition offers	Differentiation from competition through special offers, demonstrate benefits of various offers	Differentiation from competition through special offers, demonstrate benefits of various offers
Advertising message	Building on the reputation of the company, advantages over competitor products, benefits of the product	Benefits of the products, advantages over the competition, show users of the product	Benefits of the products, advantages over the competition, show users of the product
Advertising media	Press, billboards, printed ads, plus Internet, radio, cinema, TV advertising	Press, billboards, printed ads, plus Internet, radio, cinema, TV advertising	Press, billboards, print ads, plus Internet, radio, cinema, TV ads

7

Individual solution.

D11 Communications policy – Solutions

8

Public relations (PR) can be distinguished from advertising in two aspects:

- Content: The main focus of PR is on the personality of the enterprise its image. Advertising, however, features specific products, services, or brands as its content.
- Target group: With the help of PR, both internal and external stakeholders are addressed. Advertising is sales oriented, and the target group of the communication are market partners.

9

Individual solution. Suggestion:

Dear Mr./Ms. ...

Our judo club has been around for 15 years and today has 96 members. The first team consists of 10 young people between eight and 15 years, and we have already been able to celebrate a number of successes with them. The first team is again training intensively for the coming season; however, it is disappointing for all that they must be doing this in uniforms (“gi”) that don’t reflect our club’s current logo. It is for this reason that I am reaching out to you today on behalf of the entire judo club, to very respectfully ask for your support.

In addition to the advertising opportunity for all sponsors of our annual Judo Festival, which attracts many curious people from all over eastern Switzerland and has had a consistently good media presence, in the coming year we will be organizing a judo course for all our sponsors, followed by an aperitif. In addition, we proudly display our sponsors on our website and provide them with the opportunity to place their company logo on our club bus, which is used for tournaments outside of the canton.

Invest in a sport of the future that also supports our young people!

As club president, I am available at any time for a meeting.

Many thanks for your help,

Judo Club of Eastern Switzerland

Peter Muster
Rietackerstrasse 7
9000 St. Gallen
071 222 23 XX

10

Individual solution.

(Important functions of sponsorship: Addressing the target group, public relations, keep up contacts, image, increase brand awareness, etc.)

11

Individual class solution resulting from the discussion.

12

Individual solution. Suggestion:

Successful ad:

- „The Baby Bare Necessities” (Evian): <https://www.youtube.com/watch?v=7zAo9rB7k5U>
- „The Epic Split” (Volvo Trucks): <https://www.youtube.com/watch?v=M7FIVfx5J10>
- „Rolling Parcels” (Schweizerische Post): https://www.youtube.com/watch?v=QNKqw_TS40g
- „Rette den Schneemann” (Zurich Insurance Group):
<https://www.youtube.com/watch?v=6axX7d06FZc>
- „Gian und Giachen” (Graubünden Tourismus): <https://www.youtube.com/watch?v=kEPBS6XAM2M>
- „The Great Escape” (Graubünden Tourismus): <https://www.youtube.com/watch?v=l8Y5MDVhZDQ>
- „Real Beauty” (Dove): <https://www.youtube.com/watch?v=XpaOjMXyJGk>
- „Dramatic Surprise” (TNT): <https://www.youtube.com/watch?v=316AzLYfAzw>
- „The Swedish Number” (Swedish Tourist Association):
https://www.youtube.com/watch?v=mtb3f_NAmK0
- „Gymkhana Five” (DC Shoes): <https://www.youtube.com/watch?v=LuDN2bCIyus>
- „Pipe Dream” (DC Shoes): <https://www.youtube.com/watch?v=IDi9uFcD7XI>
- „Cristiano Ronaldo in Disguise” (ROC Headphones):
https://www.youtube.com/watch?v=8H_DSErYUZk
- „Fireman Saves Kitten” (GoPro): https://www.youtube.com/watch?v=CjB_oVeq8Lo
- „Together for a dream” (Turkish Airlines): <https://www.youtube.com/watch?v=9wgYbIsLq6g>

Success factors:

- Feelings, emotions or sentiments (emotional or affective reactions) that the advertising triggers in the viewer (e.g., admiration for the people depicted or recognition of their achievement / empathy or compassion with the people depicted / sympathy or understanding of the actions of the people depicted / concern, fear or shock / entertainment and humor: advertising makes the viewer laugh)
- Original or fascinating setting, unusual activities, surprising twists in the activities or moments of surprise, unusual or astounding effects, bizarre content and absurdities
- The content of the advertising message is considered very meaningful or valuable, and the advertisement is therefore thought provoking
- The advertisement shines a light on a current or controversial topic, which gives rise to discussions and creates a need for communication
- Involvement of passers-by and the portrayal of their reactions
- Prominent personalities (celebrities such as athletes, actors or musicians)
- Superheroes fighting against a superior strength or “evil”
- Advertising promotes knowledge of the characteristics and uses of a product or service
- Piece of music or memorable tune that contributes to the impact of the marketing campaign

Generally: Ad addresses the target audience of such video clips very well (influencers). Through these multipliers, the video clips spread virally through the respective communities.

D12 Brand management – Solutions

p. 347

1

Individual solution.

2

Individual solution. Suggestion:

Nike: precision, perfection, agility, power, dynamic, pleasure, top athletes, “Just Do It”

Helvetia: endurance, reliability, safety, dynamic, strength, durability

3

a

Criteria	Description
Brand awareness	The value is calculated according to the prominence of the brand.
Brand acceptance	The value is measured according to whether the brand is dismissed or accepted.
Brand preference	The value is measured according to whether the brand is most preferred among its competitors.
Brand loyalty	The value of the brand is measured according to whether the customer is willing to search for the product in another shop if he cannot find it immediately.

b Individual class result. Solution suggestion:

Criteria	Samsung	Apple
Brand awareness	2	3
Brand acceptance	2	3
Brand preference	2	3
Brand loyalty	3	3
Total	9	12

According to the above result, the brand capital of Apple is greater than that of Samsung.

4

a Under a monobrand strategy, the enterprise is not directly linked to the brand. As the enterprise in this example already has a good reputation and is already strongly represented in the market, the new product should benefit directly from the good reputation of the enterprise. In this way, an enterprise can directly leverage an existing trademark in the introduction of a new product, as would be the case with a single range brand, for example. Such an approach minimizes the cost of launching a new product, because the high cost of finding a name and building brand awareness and brand preference can be saved. Due to the strong market position of the enterprise in that example, it should prefer a range brand strategy over a monobrand strategy.

- b In the case of multilayer brand linkages, the enterprise name is linked with an individual brand name (e.g., Nestlé Beba or Nestlé Hirz).

Advantages:

- Each product can benefit from the umbrella brand Nestlé, an enterprise that stands for innovation, internationality, and quality → Nestlé Hirz: the yogurt brand benefited from the good reputation of Nestlé as an enterprise.
- The introduction of new products is relatively easy → the Nestlé brand is already known; new products can benefit directly from the reputation of the Nestlé brand.
- Specific profiling option is still available → next to the umbrella brand Nestlé, the product brand Hirz stands for fruitiness, tradition and variety.

Disadvantages:

- Poor financial results or image problems with individual brands could trigger transfer effects that might damage the entire company → a failure of Nestlé Hirz simultaneously affects the Nestlé brand.
- Basic positioning must be considered in the profiling of individual products → Hirz cannot introduce probiotic yogurt because Hirz promises no functional benefit. This would, however, not be a problem under the brand Nestlé (see Nestlé LC1).

D13 Customer relationship management (CRM) – Solutions

p. 356

1

Customer satisfaction is the most important result of customer relationship management. The acquisition of new customers is expensive, so it is important for enterprises to focus on retaining their existing customers. However, only satisfied customers make repeat purchases, subsequent, and additional purchases. Therefore, customer satisfaction is an important factor. In addition, enterprises are eager to win back dissatisfied customers and initiate targeted measures with the help of systematic complaint management.

2

Individual solution. Suggestion:

- Customers traffic must be driven to the site: for example, through the use banner advertising or the location of links in a search engine (e.g., Google).
- Then maintain customer loyalty, e.g. keep customers on the website as long as possible or blog.
- The site and the products offered on it must be convincing. This includes professional web design.
- Customer contact must be produced, for example, through a contact or order form.
- Get customer email addresses. Subsequently inform the customer with a newsletter e.g. about new products or promotions.

3

A customer is not profitable for the enterprise with a first purchase because, at that point, the enterprise has already accrued high costs (e.g., advertising) to attract the customer. The customer only becomes profitable over time. It is less expensive for the enterprise to retain an existing customer (for example, in that purchases are increased or additional purchases generated) than to always be acquiring new customers. Customer-retention programs allow an enterprise to approach customers in a targeted way, because the enterprise knows the customer is already interested in its products or services. Customer-retention programs are therefore of great importance in CRM.

4

Individual solution. Suggestion:

Enterprise	Measures to increase customer loyalty
Yves Rocher	Customer card with loyalty bonus
Wine sellers	Direct marketing by telephone, ask if customer is interested in other offers
ricardo.ch	Direct marketing by e-mail: current offers, for example, garden furniture in spring/summer or ski equipment in autumn/winter

5

- a Individual solution.
- b Individual solution.

D13 Customer relationship management (CRM) – Solutions

6

Individual solution. Suggestion:

Criterion/ location factor	Weight W	Customer maga- zine		Customer card		Mailing	
		Points P	Result = W · P	Points P	Result = W · P	Points P	Result = W · P
Costs	30	1	30	4	120	5	150
Effectiveness	50	4	200	5	250	4	200
Innovative capacity	20	2	40	5	100	5	100
Total	100		270		470		450
Ranking			3		1		2

Choice of instrument according to the cost-benefit analysis: customer card

7

Individual solution. Suggestion:

CRM activity	Concrete measures
Customer acquisition	<ul style="list-style-type: none"> • Commercials on radio/TV for the ski region • Advertising in magazines and on billboards • Online advertising
Customer retention	<ul style="list-style-type: none"> • Generate repeat purchases by targeting the existing clientele, e.g., early booking discount and loyalty bonuses, awarding vouchers • Introduction of systematic complaint management (e.g., vouchers or discounts for dissatisfied customers) • Introduction of after-sales management (e.g., create diploma for passing the ski test, send photos of ski school classes, newsletter)

D14 Financial accounting – Solutions

pp. 367–370

1

a and b

Criteria	Assets	Liabilities	up to 1 year	> 1 year
Cash	×		×	
Property	×			×
Mortgages		×		×
Share capital		×		×
Facilities	×			×
Accounts payable		×	×	
Loans		×		×
Bank	×		×	
Accounts receivable	×		×	
Vehicles	×			×
Inventories	×		×	
Retained earnings		×		×
Machines	×			×
Post	×		×	

c

Balance sheet as of 31 December 2019 (in CHF)

Assets		Liabilities	
Current assets		Debt	
Cash	2,000	Accounts payable	12,000
Post	4,000	Loans	112,000
Bank	18,000	Mortgages	135,000
Accounts receivable	6,500		<u>259,000</u>
Inventories	12,000		
	<u>42,500</u>		
Fixed assets		Equity	
Machines	66,000	Share capital	287,500
Facilities	80,000	Retained earnings	28,000
Vehicles	166,000		<u>315,500</u>
Property	220,000		
	<u>532,000</u>		
	<u><u>574,500</u></u>		<u><u>574,500</u></u>

D14 Financial accounting – Solutions

2

Income statement 2019 (in CHF)

Expenses		Revenues	
Cost of goods sold	164,000	Sales revenue	280,000
Personnel expense	140,000	Repair revenue	80,000
Building expense	40,000	Other operating revenue	26,000
Insurance expense	6,000		
Advertising expense	17,000		
Other operating expenses	4,000		
Interest expense	17,000		
Depreciation	4,000		
		Loss	6,000
	<u>392,000</u>		<u>392,000</u>

3

a

Value/hidden reserve	Calculation	Result
Actual value on 31 Dec. 2019	200,000 – (2 · 20,000)	160,000
Declared value on 31 Dec. 2019	200,000 – (2 · 25,000)	150,000
Hidden reserves in the first year	160,000 – 150,000	10,000

b

Adjusted balance sheet on 31 December 2019 (in CHF)

Assets		Liabilities	
Current assets		Debt	
Cash	3,000	Accounts payable	10,000
Post	3,000	Loans	72,000
Bank	12,000	Mortgages	80,000
Accounts receivable	5,000		<u>162,000</u>
Inventories	9,000		
	<u>32,000</u>		
Fixed assets		Equity	
Machines	30,000	Share capital	207,000
Facilities	40,000	Retained earnings	18,000
Vehicles	160,000		<u>225,000</u>
Property	125,000		
	<u>355,000</u>		
	<u>387,000</u>		<u>387,000</u>

D14 Financial accounting – Solutions

- c Through the formation of hidden reserves (through the overstatement of accounts payable by CHF 2,000 and the undervaluation of the vehicles by CHF 10,000 and property by CHF 25,000 as of 31 December 2019) annual expenses increase. This, in turn, has a direct negative impact on net profits and equity.

When the hidden reserves are resolved, either the expenses will be reduced or revenues increased. This increases the net profits and because, this is attributed to the equity, equity is increased by the release of hidden reserves.

4

Criteria		a Cash flow yes/no?	b Area of cash flow statement
a	Payment of interest	yes (reduction)	business
b	Depreciation on vehicles	no	-
c	Sale of a used machine	yes (increase)	investing
d	Payment of wages	yes (reduction)	business
e	Cash purchases by customers	yes (increase)	business
f	Taking out a bank loan	yes (increase)	financing
g	Purchase of a new printer	yes (reduction)	investing
h	Creation of hidden reserves on vehicles	no	-
i	Payment of the rent	yes (reduction)	business
j	Partial repayment of current liabilities	yes (reduction)	financing
k	Payment of electricity bills	yes (reduction)	business

D15 Cost accounting – Solutions

pp. 386–387

1

	Cost types		Cost centers	Cost objects
	Direct costs	Overhead costs		
Design department			×	
Ball bearings	×			
Skateboard				×
Screws & nuts	×			
Assembly department			×	
Grinder maintenance		×		
Wood	×			
Grinding material		×		
Adhesive coating (Grip)	×			
Storeroom			×	
Axles	×			
Longboard				×
Wheels	×			
Building maintenance		×		
Packaging department			×	

2

- a Number of hours worked per cost center
- b Room size (square or cubic meters)
- c Machine hours

3

Calculation of fixed costs

Material overhead costs	CHF 37,500
Production overhead costs	CHF 125,000
Administrative overhead costs	CHF 40,000
Sales and marketing overhead costs	CHF 22,500
Total fixed costs	CHF 225,000

Calculation of variable costs

	Cost/unit
Variable material costs per unit	CHF 25.00
Variable production costs per unit	CHF 10.00
Variable sales costs per unit	CHF 2.50
Total variable costs/unit	CHF 37.50

D15 Cost accounting – Solutions

Contribution margin I:	(per unit)
Net proceeds (sales price)	CHF 100.00
– Variable costs	CHF –37.50
Contribution margin I	CHF 62.50

Break-even point

$$\frac{\text{Total fixed costs}}{\text{Contribution margin I}} = \frac{\text{CHF 225 000}}{\text{CHF 62.50}} = 3,600 \text{ units}$$

The break-even point is 3,600 units. If the enterprise sells more than 3,600 units, it makes a profit. If it sells less than 3,600 pieces, it has to face a loss.

4

Calculation of the invoice	(in CHF)		
Gross credit purchase price	15,000	100%	
– Quantity discount	– 750	– 5%	
= Net credit purchase price	14,250	95%	→ 100%
– Cash discount	– 285		– 2%
Net cash purchase price	13,965		98%
+ Delivery costs	0		
= Cost value	13,965		

The supplier, “Elfs GmbH”, issues Peter Fischer an invoice in the amount of CHF 14,250. If Mr. Fischer pays the invoice within 10 days, he can deduct the 2% cash discount from the net credit purchase price and only have to transfer CHF 13,965.

Particularly important here is that the supplier has already noted the quantity discount of 5% on the invoice and deducted it from the invoice amount.

5

Calculation of the net sales price	(in CHF)
Cost value	150
+ Overhead costs	30
= Cost price	180
+ Net profit	+ 27
= Net sales price	207

The net sales price of a fitness machine would be CHF 207.

D15 Cost accounting – Solutions

6

Calculation of the gross credit sales price:	(in CHF)		
Net proceeds	18,000		
+ Transport costs	+ 600		
= Net sales price	18,600	98%	
+ Cash discount	+ 380	+ 2%	
= Net credit sales price	18,980	100%	→ 88%
+ Retailer discount	+ 2,588		+ 12%
= Gross credit sales price (rounded to the nearest CHF)	21,568		100%

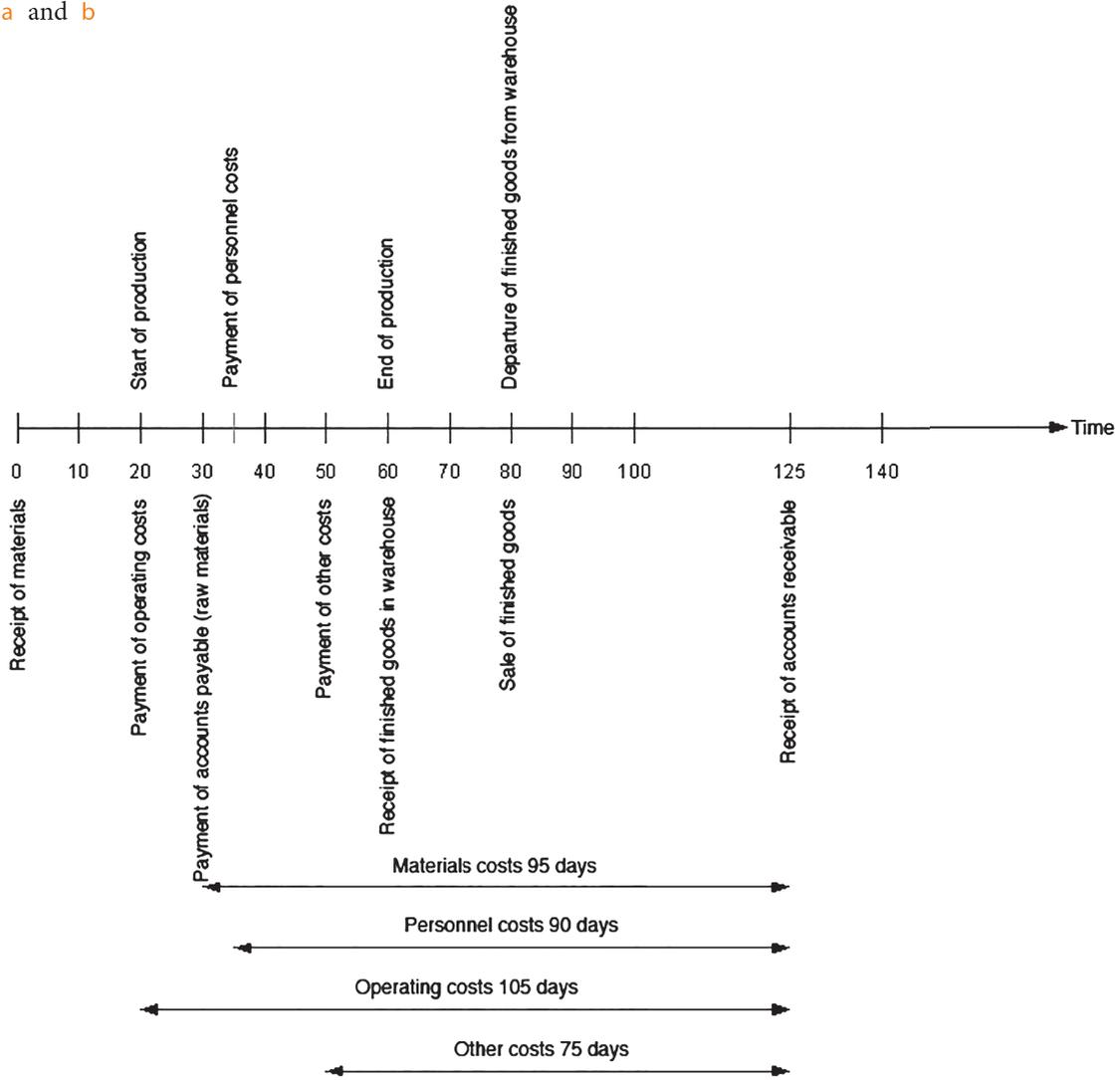
- a The gross credit sales price amounts to CHF 21,568. As in Question 4, it is important to consider when calculating the gross credit sales price that the retailer discount has already been noted on the customer invoice.
- b The invoice amounts to CHF 18,980 (the retailer discount is already deducted). In the case of compliance with the discount condition (e.g., if paid within 10 days), the customer may deduct a further 2%.

D16 Financing – Solutions

pp. 395–397

1

a and b



c Capital requirements, fixed assets (FA):

Cost type	Expenditure (in CHF)
Office equipment	10,000
Tools and machines	410,000
Building	740,000
Total capital requirements, FA	1,160,000

D16 Financing – Solutions

Capital requirements, current assets (CA):

Cost type	Expenditure (with 4 million sales/year)			Commitment (in days)	Cumulative expenditure (in CHF)
	Percent	Per year (in CHF)	Per day (in CHF)		
Materials costs	35%	1,400,000	3,889	95 Tage ¹	369,455
Personnel costs	20%	800,000	2,222	90 Tage ²	199,980
Operating costs	13%	520,000	1,444	105 Tage ³	151,620
Other costs	10%	400,000	1,111	75 Tage ⁴	83,325
Total capital requirements, FA					804,380

¹ 20 + 40 + 20 + 45 – 30 = 95 days

² 40 + 20 + 45 – 15 = 90 days

³ 40 + 20 + 45 = 105 days

⁴ 40 + 20 + 45 – 30 = 75 days

Total capital requirements (FA + CA): CHF 1,964,380

2

Criteria	Customer credit	Supplier credit
Borrower	Supplier	Customer
Lender	Customer	Supplier
Provision of funds	Provided to supplier when customer pays in advance	Nothing is provided to the customer, but cash flow is improved by delaying payment for goods
When loan is granted	When the customer pays	At delivery of goods on invoice
When loan is repaid	Upon delivery of goods	When invoice is paid with cash

3

- a Self-financing
- b Credit financing
- c Definancing
- d Credit financing
- e Credit financing
- f Equity financing
- g Self-financing

D16 Financing – Solutions

4

a

Example	External financing	Internal financing	Proprietorial financing	Debt financing
The enterprise "Skotisch AG" operates in the solar energy field and would like to pursue a new solar project, for which it needs financial resources.				
1 "Skotisch AG" issues additional shares.	×		×	
2 The enterprise borrows the funds by issuing bonds.	×			×
3 In order to finance the project, no dividends will be paid to shareholders this year.		×	×	
4 A part of the enterprise is sold off.		×	×	×

Example	External +	Internal financing	Proprietorial financing	Debt financing
"Siggenthaler GmbH" wants to reorganize its warehouse in preparation for taking on the production of three new models next year.				
5 The shareholders decide on an increase in capital investment.	×		×	
6 The enterprise takes out a loan from a bank.	×			×
7 The shares in another enterprise held by "Siggenthaler GmbH" are sold.		×	×	×

- b
- 1) Equity financing
 - 2) Credit financing
 - 3) Self-financing
 - 4) Definancing
 - 5) Equity financing
 - 6) Credit financing
 - 7) Definancing

D17 Leasing – Solutions

p. 404

1

Leasing is similar in meaning to “let” or “rent.” The lessor provides the lessee with the use of a movable good or real estate object for a certain period of time, for which the lessee has to pay a fee (lease payment). Ownership of the leased object does not pass to the lessee.

Unlike other contracts that govern the transfer of usage (such as is the case with a rental contract), the lessee bears the risk of accidental loss or deterioration of the leased property. Even in the event that the leased good is completely destroyed, the lessee must continue to pay the lease payments. It is the responsibility of the lessee to maintain and insure the leased good as well as cover any necessary repairs.

In Switzerland, leases are considered among the so-called innominate contracts, which are not regulated as such by the law. However, they generally contain elements of purchase, hire-purchase, rent and possibly other contracts, which is why they are legally considered mixed contracts.

2

a The finance lease is characterized by the following characteristics:

- The lessee seeks the long-term usage of a usually very capital-intensive investment good and seeks long-term financing.
- Existence of a triangular relationship (→ indirect leasing).
- The contract is characterized by a long, non-cancellable contract period (usually 3–5 years).
- During the term of the contract, 80–100% amortization of the leased object is often sought, based on regular (usually monthly) payment of lease terms.

The operating lease can be characterized as follows:

- The leased good is either cancellable at any time or usage can be transferred during the term for a short, non-cancellable period.
- The purpose is to cover only short-term demand for use of an asset by the lessee.
- In this type of lease, the leased asset is not yet fully amortized at the end of the contract – the lessor must therefore be able to use it again (e.g., sell it again).
- Due to the similarity with tenancy conditions, the operating lease may be classified as ordinary rent.

b Sale-and-leaseback:

- The lessee sells his or her movables and real estates to a leasing company for a spot price and leases them back immediately.
- No third party is involved within this form of leasing – thus, it presents a pure two-party-leasing-contract between lessee and lessor.
- Purpose: this form of leasing is often used by companies in order to surpass liquidity shortages. The company obtains liquid funds through the sales of its assets without having to waive the utilization of the sold assets.

3

- This involves direct leasing. With the direct lease, the lessee leases the leased good (or leased property) directly from the manufacturer (lessor), and owes lease payments to the lessor for the leased good. In practice, this basic type of direct leasing business is of relatively minor importance.
- In contrast, indirect leasing is characterized by the presence of a triangular relationship: The lessee selects the desired leased object from the manufacturer/supplier. However, in this case, it is not the manufacturer/supplier itself but a leasing company or bank that acts as the lessor. This party will acquire the leased object from the manufacturer/supplier and transfer the right to use it to the lessee under the conditions of a lease contract.

4

Leased assets such as production facilities do not become the property of the lessee. In the event of a decline in order volumes or sudden liquidity needs, there is no possibility of selling the leased asset. As particularly the finance lease is characterized by a long and non-cancellable contract period, capital remains bound up in it for a long time, regardless of any excess capacity. If an asset is not purchased and only the right to usage has been transferred, as is the case in leasing, then any right to dispose of the asset is greatly restricted – and thus, so is flexibility.

5

Advantages of leasing over buying on credit or using equity financing:

- No equity is tied up in the good
- Liquidity is maintained – instead of a large one-time liquidity outflow, there is an ongoing, much smaller outflow over time.
- Tax advantages as payments can be deducted as a business expense (under certain conditions).
- The lessee doesn't have to include leased goods on the balance sheet – under Swiss OR, all that is required is a simple declaration attached to the annual report. Recommendations of the Swiss Foundation for Accounting and Reporting are not legally binding. To this extent, leasing can therefore be structured in such a way as to be balance-neutral.
- Leasing costs are incurred along with the use of the leased object. Financial inputs are not necessary, since the object constantly funds itself (“pay as you earn” effect/cost congruence).
- Disposal of the leased object at the end of the contract does not apply because it is returned to the lessor (unless there is purchase stipulation in the contract).

Disadvantages of leasing over buying on credit or using equity financing:

- The lessee does not acquire ownership of the leased object and therefore does not the right to sell it in the case of excess capacity or urgent cash requirements.
- The total cost of leasing, considering the entire period of use, is usually higher than using debt to purchase an object, because the lessor must calculate default risk (the risk that the lessee can no longer meet its obligations) and also expects a profit.
- The lessee must continue to pay lease payments even in the case of the accidental destruction of the leased object or even if he has no use for it.
- In the case of legal disputes relating to guarantee and warranty in a situation with indirect leasing, claims must be asserted to the manufacturer/supplier, as the lessor generally contractually cedes these claims to the lessee. This means that the lessee will have to pursue on his own the rights the lessor (the leasing company, for example) would have against the manufacturer/supplier on the basis of the purchase agreement.

D18 Investments – Solutions

pp. 422–426

1

- a Intangible investment
- b Fixed or expansion investment
- c Financial investment
- d Fixed or expansion investment
- e Fixed or replacement investment
- f Intangible investment
- g Intangible investment
- h Fixed or rationalization investment

2

- a Cost comparison:
 Annual interest on average committed capital = $[(I + L) / 2] \cdot i$
 A: $[(1,000 + 0) / 2] \cdot 0.08 = 40$
 B: $[(1,800 + 0) / 2] \cdot 0.08 = 72$
 Annual depreciation (d) = I / n
 A: $1,000 / 4 = 250$
 B: $1,800 / 6 = 300$

Cost comparison	Chairlift A	Chairlift B
Annual operating costs	CHF 500	CHF 400
+ Annual interest on committed capital	CHF 40	CHF 72
+ Annual depreciation	CHF 250	CHF 300
= Total annual costs	CHF 790	CHF 772

Chairlift B would be more advantageous, as it costs less than chairlift A.

b

Cost comparison	Chairlift A	Chairlift B
Annual operating costs	CHF 500	CHF 400
+ Annual interest on committed capital	CHF 75	CHF 135
+ Annual depreciation	CHF 250	CHF 300
= Total annual costs	CHF 825	CHF 835

Based on cost considerations, the ski area would select chairlift A, because it is less expensive.

- c The cost comparison takes into account the imputed interest in the form of costs. The amount of imputed interest rate is an assumption (estimate) and is therefore subject to some uncertainties and unknowns. If the reality does not match the assumptions in the model, the result can be distortions of the decision-making basis in investment planning. The example, therefore, well shows the uncertainty of planning.
- d Advantage: Easy to use
 Disadvantage: A comparison of assets with different revenues is not possible because they are not included in the calculation.
- e Individual solution.

D18 Investments – Solutions

3

a Cost and profit comparison:

Annual interest on average committed capital = $[(I + L) / 2] \cdot i$

Woodchip system: $(2,500 + 0) / 2 \cdot 0.08 = 100$

Heating-oil system: $(2,000 + 0) / 2 \cdot 0.08 = 80$

Annual depreciation = I / n

Woodchip system: $2,500 / 20 = 125$

Heating-oil system: $2,000 / 18 = 111$

Cost comparison	Woodchip system	Oil system:
Annual operating costs	CHF 500	CHF 400
+ Annual interest on committed capital	CHF 100	CHF 80
+ Annual depreciation	CHF 125	CHF 111
= Total annual costs	CHF 725	CHF 591

On the basis of a cost comparison, the oil system must be preferred.

Profit comparison	Woodchip system	Oil system
Annual revenue	CHF 1,050	CHF 870
– Annual operating costs	CHF 500	CHF 400
– Annual interest on committed capital	CHF 100	CHF 80
– Annual depreciation	CHF 125	CHF 111
= Total annual costs	CHF 325	CHF 279

On the basis of a profit comparison, the woodchip system is preferable.

- b
- CO₂ issue (consider emissions)
 - Quality of service and maintenance
 - Security of supply
 - Susceptibility to interference
 - Warranty
 - etc.
- c Individual solutions (depending on the choice and weighting of criteria). Suggestion:

Criteria	Weighting W	Woodchip system		Heating-oil system	
		Points P	Product = W · P	Points P	Product = W · P
CO ₂	40	5	200	2	80
Low tendency to fail	30	4	120	3	90
Service and maintenance	20	3	60	3	60
Security of supply	10	3	30	4	40
Total	100		410		270
Ranking			1		2

Recommendation to the board with reference to the inclusion of quantitative and qualitative data in the calculation: The profit comparison method and cost-benefit analysis speak for a woodchip system.

4

	Year 1	Year 2	Year 3	Average/year
Profit	CHF 260,000	CHF 220,000	CHF 180,000	CHF 220,000 ¹
Avg. comm.cap.	CHF 5,000,000	CHF 5,000,000	CHF 5,000,000	CHF 5,000,000 ²
Avg. profitability	5.2%	4.4%	3.6%	4.4%³

¹ Average profit per year: Sum of the profits / number of years = 660,000 / 3 = 220,000

² Average committed capital per year: (I + L) / 2 = (10,000,000 + 0) / 2 = 5,000,000

³ Average profitability: Avg. profit / Avg. committed capital = 220,000 / 5,000,000 = 0.044

5

Payback period (in CHF)	Project X	Project Y
Investment amount (I)	360,000	390,000
Annual profit (P)	80,000	140,000
Annual depreciation (d) ¹	30,000	30,000
Payback period (PB)²	3.3 years	2.3 years

¹ Annual depreciation: $d = I / u$

² Payback period: $PB = I / (P + d)$

- b Based on the calculation of the payback period, the enterprise will decide for project Y because it takes less time for the invested amount of money to be fully covered by cash flows (2.3 years compared to 3.3 years for project X).

6

Payback period	Packaging machine (in CHF)
Investment amount (I)	80,000 + 10,000 = 90,000
Benefit (B)	48,000 - 12,000 = 36,000
Payback period (I/B)	2.5 years

- b The additional costs for the purchase and installation of packaging machine are compensated for by the savings after 2.5 years. The packaging machine has a useful life of 10 years, so CHF 36,000 can be saved annually in the remaining 7.5 years.

- c Social aspects: employees made redundant
 Ecological aspects: environmental friendliness of the machine, noise pollution

7

- a
- Fixed investment
 - Replacement investment
 - Expansion investment
 - Rationalization investment

D18 Investments – Solutions

b

Year	Cash flow (Benefit) in CHF	Total (cum.) in CHF
1	100,000	100,000
2	150,000	250,000
3	170,000	420,000
4	100,000	520,000
5	160,000	680,000
6	160,000	840,000
...		

Investment amount (I) = purchase price + transportation and installation costs
 = 450,000 + 70,000
 = 520,000

According to the table, the payback period is 4 years.

8

a $Z_t = \text{CHF } 1$

$i = 10\%$

$t = 1 \text{ year}$

$PV = Z_0 = Z_t / (1 + i)^t$

Time (t)	Discount rate $= 1 / (1 + 0.1)^t$	$PV = Z_0$ $= Z_t \cdot 1 / (1 + 0.1)^t$
1 year	0.909	CHF 0.909
5 years	0.621	CHF 0.621
10 years	0.386	CHF 0.386
15 years	0.239	CHF 0.239
20 years	0.149	CHF 0.149
25 years	0.092	CHF 0.092

General statement: The present value of a unit of money decreases as the point at which the value is received moves further into the future.

b $Z_t = \text{CHF } 1$

$t = 4 \text{ years}$

$PV = Z_0 = Z_t / (1 + i)^t = 1 / (1 + i)^t$

Interest rate (i)	Discount rate $= 1 / (1 + i)^4$	$PV = Z_0$ $= Z_t \cdot 1 / (1 + i)^4$
4%	0.855	CHF 0.855
10%	0.683	CHF 0.683
20%	0.482	CHF 0.482
30%	0.350	CHF 0.350
40%	0.260	CHF 0.260

General statement: The greater the chosen interest rate, the smaller the present value.

D18 Investments – Solutions

9

a Model A

Year	Amount Z_t	Discount rate $= 1 / (1 + 0.1)^t$	$PV = Z_0$ $= Z_t \cdot 1 / (1 + i)^t$
t_0	CHF -8,000	1.0	CHF -8,000
t_1	CHF 3,500	0.983	CHF 3,125
t_2	CHF 3,800	0.797	CHF 3,029
t_3	CHF 3,900	0.712	CHF 2,776
t_4	CHF 4,000	0.636	CHF 2,542
NPV			CHF 3,472

Model B

Year	Amount Z_t	Discount rate $= 1 / (1 + 0.1)^t$	$PV = Z_0$ $= Z_t \cdot 1 / (1 + i)^t$
t_0	CHF -10,000	1.0	CHF -10,000
t_1	CHF 4,000	0.983	CHF 3,571
t_2	CHF 4,100	0.797	CHF 3,268
t_3	CHF 4,100	0.712	CHF 2,918
t_4	CHF 4,200	0.636	CHF 2,669
NPV			CHF 2,426

Model A has an NPV that is CHF 1,046 greater. Simone and Gabriel should buy Model A.

b Model A

Year	Amount Z_t	Discount rate $= 1 / (1 + 0.1)^t$	$PV = Z_0$ $= Z_t \cdot 1 / (1 + i)^t$
t_0	CHF -8,000	1.0	CHF -8,000
t_1	CHF 3,500	0.983	CHF 3,125
t_2	CHF 3,800	0.797	CHF 3,029
t_3	CHF 3,900	0.712	CHF 2,776
t_4	CHF 4,000	0.636	CHF 2,542
L	CHF 1,000	0.636	CHF 636
NPV			CHF 4,108

Model B

Year	Amount Z_t	Discount rate $= 1 / (1 + 0.1)^t$	PV = Z_0 $= Z_t \cdot 1 / (1 + i)^t$
t_0	CHF -10,000	1.0	CHF -10,000
t_1	CHF 4,000	0.983	CHF 3,571
t_2	CHF 4,100	0.797	CHF 3,268
t_3	CHF 4,100	0.712	CHF 2,918
t_4	CHF 4,200	0.636	CHF 2,669
L	CHF 1,800	0.636	CHF 1,144
NPV			CHF 3,570

L: Liquidation proceeds at the end of the useful life

Model A now has an NPV that is CHF 538 higher, making it preferable to Model B.

10

$$\begin{aligned} \text{NVP} (= 0) &= (R_1 - E_1) / (1 + i)^1 - I_0 \\ 0 &= (18,000 - 2,000) / (1 + i)^1 - 15,000 \\ 15,000 &= 16,000 / (1 + i)^1 \\ (1 + i)^1 &= 16,000 / 15,000 \\ i &= 0.0667 \\ i &= 6.7\% \end{aligned}$$

11

- Social security of employees (job losses from investments with rationalization effects)
- Political reactions of the public (for example, outsourcing of jobs abroad or closure of business locations in more remote areas → e.g., closing of bank branches in the country and expansion of the headquarters in the urban center)
- Political stability (for example, when outsourcing jobs to a politically less secure country)
- Behavior of the competition
- Ethical aspects (rationalization of less qualified staff)
- Reduction of environmental impact
- Enterprise culture
- Attributes of the supplier (for example, security of supply, quality, service, innovative spirit)
- Operational safety (reduction of the risk of accidents)

D19 Accounting reporting, financial analysis and business valuation – Solutions

pp. 441–442

1

Such an approach would be contrary to the principle of caution:

- Revenues may only be recognized when the good has been sold or service rendered, the buyer's payment has been received or an irrevocable claim is made. The booking of presumed revenues constitutes a breach of the realization principle.
- Losses and risks that are apparent but have not yet arrived must be recognized, even if they become known only after the ending date of the balance sheet date but before it is created (impairment principle). Max Müller must accordingly already have recognized the risk of possible compensation (litigation risk) in the current accounting period.

2

- a The principle of comparability (consistency) is violated because the depreciation rate is no longer the same.
- b The principle of completeness is violated because all assets must be presented.
- c The principle of clarity is violated because such a balance sheet is no longer sufficiently clear.

3

- a The current situation in terms of assets, debts, revenue, and liquidity
- b External auditing firms check the accuracy of the reported figures. The auditing of the accounting reporting thus guarantees the correctness of company statements within the framework of legal requirements. The positive report of an external auditing firm increases the reliability and credibility of information for all stakeholders, which is very important in terms of the significance of the statements as a decision-making foundation for various stakeholder groups.

4

a

Ratio	Formula	Result
Liquidity ratio I	$\frac{\text{Cash and equivalents}}{\text{Short-term debt}} \cdot 100$	40,3%
Liquidity ratio II	$\frac{\text{Cash} + \text{accounts receivable}}{\text{Short-term debt}} \cdot 100$	85,1%
Liquidity ratio III	$\frac{\text{Current assets}}{\text{Short-term debt}} \cdot 100$	159,7%
Return on equity	$\frac{\text{Profit}}{\text{Equity}} \cdot 100$	11,8%
Equity ratio	$\frac{\text{Equity}}{\text{Total capital}} \cdot 100$	49,1%
Debt ratio	$\frac{\text{Debt}}{\text{Total capital}} \cdot 100$	50,9%

D19 Accounting reporting, financial analysis and business valuation – Solutions

b

Ratio	Goal	Assessment
Liquidity ratio I	25–40%	40.3% lies slightly above the target range. Too high a liquidity ratio I would reduce profitability.
Liquidity ratio II	100%	85.1% is below the target of 100%. This means that short-term debts are not covered by the totality of cash and cash equivalents and short-term receivables. In such a situation, “Schreinerei Bieder” would be obliged to repay the debts (current liabilities) by either selling fixed assets (machinery, vehicles, etc.) or by taking on new debt. If the same conditions were to continue over the longer term, the enterprise would have to file for bankruptcy because, at some point, either fixed assets are depleted or the enterprise simply drowns in its debts.
Liquidity ratio III	150–200%	159.7% is within the target range.
Return on equity	≥ 8%	Within the target range. “Schreinerei Bieder” can be satisfied with the return on capital he has employed (equity).
Equity ratio	> 30%	The proportion of equity to total capital is acceptable at 49.1%. “Schreinerei Bieder” might consider reducing own equity, which would increase the return on equity.
Debt ratio	< 70%	The proportion of debt to total capital is also in order at 50.9%. As already mentioned, the return on equity could be bumped by taking on additional debt over equity.

Conclusion: The financial situation of “Schreinerei Bieder” is solid. Optionally, the short-term receivables could be reduced in order to improve the liquidity ratio II. Consideration should also be given to whether the equity base could be reduced in order to increase the return on equity. However, this also increases the risk.

5

A high level of liquid assets guarantees the solvency of an enterprise at all times. The enterprise has to the ability to immediately pay off debts to lenders and suppliers at any time. However, at the same time, a high degree of liquidity prevents capital from being invested more profitably or can cause unnecessary capital costs.

6

- a Return on sales provides information about the percentage of sales that remains as profit. It thus shows the proportional profit of every Franc applied. A return on sales of 2.5% conveys that a profit of 2.5 Rappen was generated from each applied Franc.
- b A declining return on sales points to declining productivity and thus rising costs. A rising return on sales indicates – if prices remain constant – increasing productivity.
- c The return on sales of an enterprise is in a less competitive market (e.g., monopolistic market) is usually higher than in a competitive market. A high return on sales thus indicates a strong market position of each enterprise. A weak return on sales can be indicative of an intensely competitive market environment.

D19 Accounting reporting, financial analysis and business valuation – Solutions

7

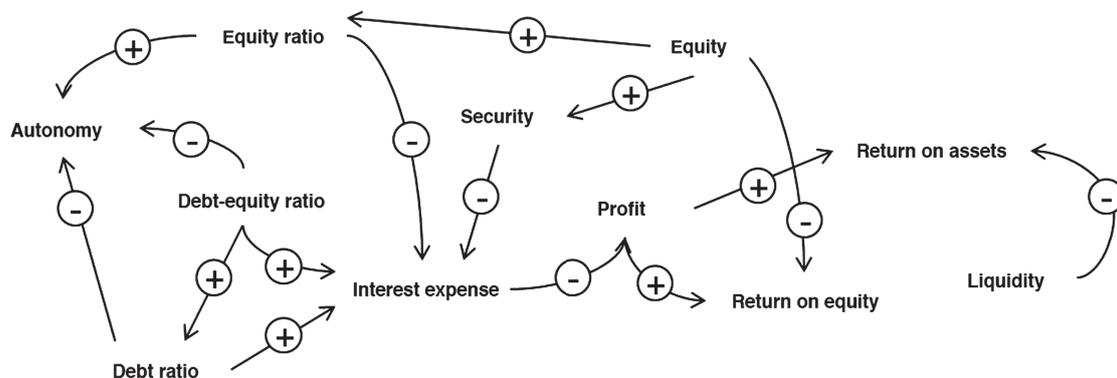
Positive value factors	Negative value factors
<ul style="list-style-type: none"> • Future-oriented products and markets • Positive enterprise image • Favorable location • Qualified and motivated staff • High productivity • Effective organization • High capacity utilization • Continuous sales and earnings growth • Advantages over competitors • Appropriate technical equipment 	<ul style="list-style-type: none"> • Cyclical and structural industry problems • Dependence on a few key customers • Unfavorable location • Lack of management personnel • Low productivity • High inventories • Unutilized capacity • Declining sales and earnings • Disadvantages compared to competitors • Investment backlog

8

- a This depends on which valuation method is pursued: Using the German income approach, the value of a business is determined based on the sum of discounted future profits. Reporting higher profits would thus have a positive impact on the value of the business if this method were to be used. In practice, a combination of methods is most often used to determine the most comprehensive possible final value. The DCF approach (discounted cash flow) is now regarded as a “best practice” approach in the valuation of businesses, as it is based on the valuing the cash flow and not, as with the German income approach, based purely on profit. The reporting of profits depends on the balance sheet policy (e.g., in terms of depreciation and amortization) of an enterprise or on its choice of accounting reporting standards. However, enterprise management has very little influence on the recognition of the cash flows, which is why the method based on them (DCF) offers higher valuation objectivity. Under the DCF method, an accounting correction of profits will not affect the valuation of the business.
- b If an impairment of assets exists and the corresponding write-down is not carried out or is only carried out to an insufficient extent, this would be a breach of the principle of “caution” and Art. 666 OR. This means that assets should not be overvalued. In addition, depreciation must be calculated each year according to the same principle (the principle of “consistency”).

9

Individual solutions. Suggestion:



D20 Enterprise reporting – Solutions

p. 454

1

- Enterprise website (usually under the heading “Investor Relations”)
- Website of ratings firms
- Annual report
- Media (press conference, stock price)

2

Individual solution.

3

Individual solution.

4

Criteria	Explanation
Balance	Mention of both positive and negative activities of the enterprise in economic, environmental and social areas.
Independence	Assessment of the report by independent institutes or stakeholders.
Involvement of stakeholder groups	Inclusion of stakeholders through statements and interviews, in which critical voices are also represented.
Measurability	Measurable performance indicators (Facts & Figures) that demonstrate sustainable business activities.
Review of goals	Review the achievement of goals from previous years.
Implementation	Monitor agreement between reporting and effective business activities.

D21 Human resource management – Solutions

pp. 469-470

1

Advantages:

- The enterprise is aware of the performance of current employees. This can help to minimize the risk of hiring the wrong person.
- Opportunities to advance within the enterprise can help to motivate employees. These prospects also increase loyalty.
- Vacancies can be filled in a short time and at relatively low cost.
- The employee who steps into the position already knows the enterprise – that means, she needs hardly any time to adapt.
- The vacancy created by such a promotion can be filled by trainees.
- ...

Disadvantages:

- The internal selection of qualified personnel is limited – if the potential group of people is too small or current employees do not have the required qualifications, the necessary additional training measures can be quite expensive for the enterprise.
- When management positions are filled by former subordinates, it may be that the person in question has too little authority over their former colleagues.
- External people bring new ideas and inspiration into the enterprise. This opportunity is not taken with an internal hire.
- ...

2

Individual solutions.

3

a Problems of testing processes in employee selection:

- Tests do not consider that an employee will be entering into an entirely new working environment. This environment can strongly influence employee behavior. A person who does not succeed in the testing may, in fact, demonstrate very strong performance in practice because the supervisor can motivate them particularly well.
- Test situations are not reality. Test anxiety can distort the result.
- Test results could be influenced by the given test situation. For example, the applicant might simply not be able to do the type of test given.

b Features of an assessment center:

- The procedure of this method is systematic
- The use of multiple observers is possible
- A direct comparison of candidates becomes possible

c An assessment center is particularly well suited to evaluating the social and personal skills of future managers.

4

Advantages of piecework pay:

- Pay equity by linking payment with performance
- Positive selection: This type of payment attracts high-performing workers
- The enterprise profit can be increased
- Possibly more flexible design of working hours for employees

Disadvantages of piecework pay:

- The delivered performance must be directly observable
- It must be able to be clearly assigned to an individual (risk of free-riding behavior in teamwork, assembly line work)
- Strong emphasis on quantity may sacrifice quality
- Earned income can fluctuate greatly
- High performance pressure: The employee can face increasing expectations and demands of the employer

5

- a Incentive pay (“pay for performance”) suppresses so-called “extrinsic motivation” (incentives coming from the environment): Employees are encouraged by financial incentives to work to an extent that, under the circumstances, they would never do on their own initiative (“intrinsic motivation”). This can lead up to breaching of rules, in order to achieve performance goals and obtain a premium. When implementing incentive pay, however, it should be noted that many employees have quite a high intrinsic motivation – that is, they are self-motivated. For such highly intrinsically motivated employees, the implementation of incentive wages can lead to at most a small increase in performance. Furthermore, it is increasingly proven that incentive pay only stimulates a short-term motivation but no long-term motivation. Premiums are soon taken for granted. In order to maintain their effect, they must steadily be increased. Therefore, premium based systems are increasingly questioned, abolished or designed in different ways. For instance, the performance evaluation is to be aligned with long-term (rather than only short-term) and qualitative (rather than few quantitative) criteria which do lie within the realm of the employees’ influence.
- b Incentive pay would be particularly suitable for tasks in which the performance can be uniquely associated with a particular employee. However, this is only the case for individual, simple, solitary work – incentive pay is a poor way to compensate workers for services provided through division of labor. In addition, complex services are measured on the basis of numerous criteria. If incentive pay is measured by only a single criterion (e.g., output per hour), other performance criteria (e.g., quality or behavior at work) tend to be neglected: The result of this are strong incentive distortions in the performance of tasks.

6

- a Individual results based on how the performance reviews go in the groups.
- b Individual solutions. Suggestion:

- | | |
|---|--|
| <ul style="list-style-type: none"> • Good atmosphere • Trust • Active listening (e.g., asking questions, acknowledgement, etc.) • Clear formulation of objectives • No judgmental statements | <ul style="list-style-type: none"> • Discussion structured in phases (welcome, problem discussion, etc.) • Search for solutions • Opt for a solution • End of the conversation: formulation of expectations for both parties |
|---|--|

7

Criteria	Reference letter for Aurea Peres
Facts	<ul style="list-style-type: none"> • Period of employment • Area of responsibility
Performance evaluation	<ul style="list-style-type: none"> • Ability to complete the tasks entrusted to her • Above-average commitment • Good suggestions
Behavior/conduct	<ul style="list-style-type: none"> • Trustworthiness • Receptiveness • Reliability • Friendly and natural demeanor • Good manners • Cooperative and behavior beyond reproach

The criteria of facts, performance evaluation and behavior/conduct are met. However, it is worth mentioning that the following sentence could have been formulated in a way that would have been much favorable for her: “Ms. Peres possessed only some of the necessary professional experience and expertise, which meant she was at first overwhelmed.”

D22 Risk management – Solutions

p. 479

1

Risk categories	Description
Economic risks	<ul style="list-style-type: none"> • Guests consume less
Market risks	<ul style="list-style-type: none"> • Another country inn opens up nearby
Financial risks	<ul style="list-style-type: none"> • The rent is increased
Legal risks	<ul style="list-style-type: none"> • Smoking rules
Technical risks	<ul style="list-style-type: none"> • Gas stove causes a kitchen fire
Other risks	<ul style="list-style-type: none"> • Bad weather • Salmonella outbreak • Fraud by the workers

2

Risk categories	Description
Economic risks	<ul style="list-style-type: none"> • In a recession, demand for mortgages shrinks
Market risks	<ul style="list-style-type: none"> • Banks stop granting loans to each other
Financial risks	<ul style="list-style-type: none"> • Falling interest rates could lower earnings in margin business • Customers can no longer repay their loans
Legal risks	<ul style="list-style-type: none"> • Higher capital requirements
Technical risks	<ul style="list-style-type: none"> • Failure of the IT systems
Other risks	<ul style="list-style-type: none"> • Employees do not adhere to banking secrecy and disseminate secret data • Reputational damage from accepting untaxed funds

3

Individual solution.

4

- a The rigorous analysis of risks in the context of risk management is primarily conducted for the purpose of securing the existence of the enterprise. Risks should be avoided if possible or at least minimized. When entering a risk situation, risk management should help to minimize as much as possible the negative consequences for the enterprise. Furthermore, risk management aims to ensure future success, reduce risk costs (insurance premiums, costs of loss prevention, etc.), and increase the market value of the enterprise.
- b As risk management should first serve to ensure the survival of an enterprise, this is of central importance. For this reason, risk management should not be regarded as trivial task; instead, it represents an eminently important “leadership exercise” for enterprise management (“an integral part of business management”, “primary responsibility of the leaders of all business units as well as the process and project managers”). Standardized processes and technical tools support the risk prevention and minimize human errors in the entire workforce.

5

- a The old friend quite obviously is pursuing a strategy of risk avoidance: He is trying to eliminate risk by avoiding all activities.
- b The serious preparation for activities that carry certain inherent risks indicates a risk minimization strategy. This is marked in the situation by the following measures:
 - By checking the weather, you try to minimize the risk of bad weather from the outset.
 - With your decision, always to use a rope while climbing, you are trying to minimize as much as possible the consequences of a fall.

6

The statement describes proven management wisdom. It is advisable for enterprises to cultivate and maintain risk management and apply appropriate safety margins in good economic times. Risk management is an ongoing task. Once an enterprise has fallen into an acute risk situation, it is usually too late for a rescue. Bankruptcy or takeover may be the result (see the grounding of Swissair and the subsequent takeover of Swiss by Lufthansa).

D23 Company law – Solutions

pp. 518–520

1

- a A basic distinction is made between sole proprietorships and companies. The sole proprietorship is distinguished from the company in particular with respect to the ownership rights. The two enterprise forms are distinguished as follows:

Sole proprietorship	Company
<ul style="list-style-type: none"> • Single person as owner, investor, and bearer of business risk • Management and decision-making power usually incumbent on sole proprietor (internal agency) 	<ul style="list-style-type: none"> • Multiple people (shareholders) as owners, investors, and bearers of business risk • Management or decision-making power often delegated to a third party (external agency)

b

Enterprise form	Advantages	Disadvantages
Sole proprietorship	<ul style="list-style-type: none"> • High degree of flexibility and adaptability • Quick decision-making • Greater share of profits for the sole proprietor • Foundation is straightforward in legal terms • No fiduciary duty • The enterprise may be dissolved at any time 	<ul style="list-style-type: none"> • Low degree of creditworthiness • Greater financial risk for the sole proprietor • Full liability • Continuity is not guaranteed • Difficult succession planning
Company	<ul style="list-style-type: none"> • Individual owners face lower risks, as they are divided up • Higher creditworthiness because several people are liable for company debts 	<ul style="list-style-type: none"> • Lengthier decision-making processes • Less flexibility

2

- a The following elements are indicative of the existence of a company:
- Association of people: A combination of natural and/or juridical persons.
 - Contractual basis: There is a contractual relationship between the people. The contract can have been concluded either verbally and in writing.
 - Common purpose: The contractually linked people must pursue a common purpose with shared means and efforts to be classified as a company (community of interests).
- b 1. Not a company: Companies are communities of interests (pursuit of a purpose with shared means and efforts). This case, however, deals with an exchange relationship (purchase agreement), which is characterized by a clash of interests: One party performs in order to receive compensation from the other. The performances of the parties are therefore exchanged and not, as would be the case in a company, fitted together to pursue a common purpose.

2. Not a company: A community of heirs, as outlined in Art. 602 ZGB, is a community of interests under the terms of private law. This means it is not based on a contract (as a condition for a company) but is created by law whenever a testator has left several heirs.
3. Company: Moritz, Daniel, and Franz are natural persons (association of people) who unite to pursue a common purpose (being paid to garden for neighbors) with shared resources (labor, pocket money).
4. Not a company: In this case, Anna and Vera have concluded an employment contract. This belongs to the so-called agency agreements, in which, in contrast to the exchange contracts (e.g., purchase agreement, see the first example with Thomas), no clash of interest exists: Both Anna and Vera share the common goal of selling flowers. However, this goal is determined by only one person, namely Anna as owner of the flower shop – Vera (as an employee) is only working in its interest. The situation is lacking a commonly agreed-to purpose, which is part of what distinguishes a company (voluntary nature of pursuing a purpose).
5. Not a company: This is the case of a loan with profit sharing, a so-called shareholder loan. Since both parties, Alois and Dieter, have a common interest in achieving the highest possible profit, it can sometimes be difficult to distinguish such a situation from a simple partnership. However, a common interest in striving for profit is not enough for a partnership to come into being. There must also be present a shared interest in achieving a common purpose (e.g., sale of newspapers and magazines) (the so-called *animus societatis*).

3

Individual solutions.

4

- a Requirement of form: Shareholders have to use one of the eight types of company outlined in Swiss law.
Consistency of form: There are limitations placed on content and structure of the articles of association. Art. 530–926 OR and 60–79 ZGB contain generally mandatory requirements for the respective company form, which are only dispositive when expressly outlined.
- b In contrast to company law, the rule of “private autonomy” prevails in contract law: The main types of contracts are provided for by law (e.g., sales contract, rental contract, etc.), but new types of contracts not explicitly provided for by law may also be created, and they are not subject to the requirement of form (innominate contracts, such as leases). In terms of content, the contracts may be largely freely configured (limited consistency of form).

5

- a In legal associations, the principle of internal agency applies.
- b A corporate body is a separate entity and legally a distinct person.
- c In a corporate body, it is not necessarily a shareholder that takes over management; instead, it can also be a third party.
- d A legal association is not a separate entity but is made up of natural persons. For this reason, they are liable for the debt.
- e A corporate body is a separate entity and exists independent from specific individuals.
- f The scope of decisions made by individuals involved in a corporate body is limited.
- g A corporate body is a separate entity, which is why only the company assets are liable for company debts.

6

- a Jenny, Larissa, and Yuan are natural persons who have united to pursue a common purpose (trade in schoolbooks) with shared means and efforts (their work). There is a mutual expression of intent. Accordingly, this is a case of a simple partnership.
- b The partners face primary, unlimited, and joint liability for the debts of the company. This means that all partners (Jenny, Larissa, and Yuan) are primarily liable with their private assets. In addition, each partner is liable for the entire debt of the company. Creditors (classmates who sold their books to shareholders) can claim the full amount owed from any of the three shareholders.

7

- a A commercial enterprise is understood to mean:
- A manufacturing business: Enterprise that creates new or finished products through the processing of raw materials and other goods with the help of machines or other technical means.
 - A trading business: Enterprise that involves the exchange of goods and/or services.
 - Any other business “operated according to commercial principles”: While neither a manufacturing nor trading enterprise, this would still be similar by requiring commercial operation and proper accounting.
- b
- Commercial enterprise: Andreas, Philip, and Markus have established a consulting firm together, in which they provide consulting services in a process based on division of labor. The division of labor in providing this service requires a high degree of coordination between the partners as well as proper business accounting. For this reason, this is a case of a commercially run enterprise.
 - Not a commercial enterprise: According to the Swiss Federal Supreme Court, the case of so-called “independent professions” (doctors, architects, teachers, etc.) does not involve a commercial enterprise, as long as the main services are provided by a single person (e.g., a doctor).

8

- a While the members of partnerships and limited liability companies are subject to wide-reaching obligations, especially a non-compete clause, a shareholder in a company limited by shares is only required to fully pay for his share(s). In turn, shareholders are entitled to fewer rights than a member of a partnership or a limited liability company: While shareholders only have a right to a share of the profits (dividends) and certain rights to scrutinize and be informed of information, partners have also the right to (shared) management and representation.

The difference between the company limited by shares and partnerships/limited liability companies lies in the “closeness” of shareholders to the company: Partnerships companies have a strongly “personal orientation”, while the company limited by shares and other corporate bodies (aside from the GmbH, as a mixed form) have a strong “capital orientation”. The AG was created in order to allow everyone to have a stake in a company without having to lay out a great deal of capital and, especially, without any further obligations aside from paying for shares in full. As a shareholder does not have to comply with any further obligations, including not being subject to non-compete clause, his rights are severely limited: He has participation rights at the general meeting but no right to management or representation.

- b The principle of external agency is at the core of the company limited by shares: The AG acquires its ability to act not through its shareholders as such, but through its corporate bodies. Stipulated by law are the general meeting (Art. 698–706b OR), board of directors (Art. 707–726 OR), and statutory auditors (Art. 727–731a OR).
- General meeting: As the “highest” body of the AG, the general meeting shall elect the board of directors and the auditors as well as monitor these as they carry out their duties. In addition, the general meeting determines the company bylaws, approves the annual report and the annual and consolidated financial statements, and decides on the appropriation of profits.
 - Board of directors: The board of directors represents, so to speak, the executive branch of the AG. It acts as the company’s most senior management body and is therefore responsible for the management and representation of the AG. Furthermore, it determines the organization of the company and shall appoint and dismiss members of management (to the extent that the board delegates management to a third party, such as a CEO, and does not take it on itself).
 - Auditors: The auditors examine the annual and consolidated financial statements of the company limited by shares for the protection of shareholders, creditors and the general public.
 - Other bodies, such as a managing director (CEO, etc.), directorate or advisory board, can be created by the AG. However, the so-called parity principle must be observed in this: The law assigns to each of the three compulsory bodies (general meeting, board of directors, and auditors) specific, irrevocable and non-transferable tasks.
- c Restricted transferability means that limitations can be placed on how a security such as a share can be bought, sold or otherwise come to change hands. Only registered shares may be subject to transfer restrictions, not bearer shares. In addition, further limitations are placed on restricting the transferability of listed (publicly traded) shares, which is why such restrictions are mostly placed on non-listed shares. Restricting transferability is mostly considered in smaller family AGs in order to control the composition of shareholders and to prevent shares from falling into unwanted hands.
- 9
- a An association is a corporately structured type of company. Thus, in general, only association assets are liable for association debts.
- b The contributions by association members are fixed by the bylaws (Art. 71 I ABG). If such a determination is not made, members have to provide in equal shares those contributions necessary to pursue the association’s purpose and to cover its debts (Art. 71 I ABG). Liability for association debts is thus a personal, unlimited and solidary.
- c In contrast to the cooperative and other types of company, an association may expel its members without giving any reasons. In addition, the bylaws can stipulate that, subject to conditions, associations can limit or completely eliminate the ability of new members to join.

E1 Enterprise optimization – Solutions

p. 533

1

Individual solutions. Suggestion:

- Resources: modern infrastructure; good teaching materials
- Teachers: competent; fair; interested in current events; teamwork
- Lessons: practical and current; welcoming learning environment; good preparation for the future, individualization is encouraged
- Students: Many manage to progress to the next grade level

2

Individual solutions. Suggestion:

The quality report is highly standardized and structured as follows:

Part	Description
Part A	Structure and performance data of the hospital <ul style="list-style-type: none">• organizational structure• service offerings• etc.
Part B	Structure and performance data of organizational units and departments <ul style="list-style-type: none">• processes• admission procedure• personnel and equipment
Part C	Quality assurance <ul style="list-style-type: none">• external quality assurance• indicators
Part D	Quality management <ul style="list-style-type: none">• policies and goals• instruments• projects• evaluation

Further information at: www.klinik-lotse.de

3

Existing or new measures:

- Show on the displays in which sectors the 1st and 2nd class cars will stop
- Share on displays if a shorter train is being used and in which sector it stops
- Enlarge carriage doors or invest in trains with more doors
- Build wider platforms
- Especially in bigger stations (e.g., Zurich main station), widen stairs/escalators to accommodate larger crowds
- Designate separate doors for entry and exit so that the people waiting on the platform can board immediately instead of having to wait for exiting persons.
- Hire staff to help guide the passenger flow

4

a Individual solutions. Suggestion:

Order taking	Production creation	Delivery
<ul style="list-style-type: none"> • Friendly telephone conversations with the customer • At the end of the conversation, repeat the order to be sure nothing is missed • Possibility of ordering online instead of by phone • Note the customer's phone number on the order so that the driver can make contact in case of a delay or difficulty in finding the address • Number the different pizzas to cut down on confusion 	<ul style="list-style-type: none"> • Reasonable arrangement of work objects (dough, toppings, oven, baking sheets) • Prepare several pizzas at the same time (reduction of individual working steps) • Additional pizza ovens 	<ul style="list-style-type: none"> • Inspect and compare pizza and order prior to delivery in order to avoid mix-ups • Pre-printed menu on the box allows for the ordered items to be checked off • Meaningful grouping of individual deliveries • Friendliness • Punctuality • Make sure that no pizza sits in the car too long • Navigation system or local knowledge

b Individual solutions. Suggestion:

- Fold pizza boxes
- Clean and fuel the car
- Clean the kitchen
- Check inventory and restock
- Cut and prepare ingredients
- Make a list and go shopping
- Wash dishes
- Do bookkeeping

5

- Internally: quality improvement
- Externally: verification of quality and image management

6

Individual solutions.

Please note: schools should dispose over a quality management system. This can be a system conceived by the school itself (internally) or an external concept (such as ISO, Q2E).

Ideally, the school's organization chart shows who is in charge of which task ("ownership"). Quality is complex and important. It is thus the school management's task and requires a close bond between the principal and the responsible quality group.

7

This statement emphasizes the relevance as an enterprise to provide the highest possible level of customer value. The goal is to achieve high customer loyalty because a satisfied customer will make repeat purchases (“customer returns”). If the customer is not satisfied with the performance of the enterprise, he will return the product and likely choose another store (“not the product”).

Example:

1. I buy a smartphone. It works flawlessly. After a few years, the same company launches a new smartphone. As a satisfied customer, I will buy my next smartphone from the same company.
2. I buy a cell phone. The battery will not charge. The defective smartphone goes back to the manufacturer for the battery to be replaced. Next time, I'll buy my smartphone from the competition and hope that its product better corresponds to my expectations.

E2 Enterprise renewal (innovations) – Solutions

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1

Enterprises exist in a constant state of competition among each other. Innovations are important for the long-term survival of an enterprise. Both environmental spheres and the concerns and interests of its stakeholders change over time. In order to respond to these changes, an enterprise needs innovation in products, processes and organizational and management systems.

2

Individual solutions. Suggestion:

Innovations of the past	Innovations of the present
<ul style="list-style-type: none"> • Computer, laptop • Cell phones • Internet • Digital cameras • Facebook • Cochlear implant 	<ul style="list-style-type: none"> • Zoom Video Communications • New medications or vaccines • Artificial intelligence (AI) • Self-driving cars

3

Individual solutions. Suggestion:

Reasons	Dangers
<ul style="list-style-type: none"> • Cost savings • Reduced environmental impact 	<ul style="list-style-type: none"> • Customers' "chocolate experience" will likely be affected (for customers, a bar of chocolate belongs in foil!) • Shelf life of the chocolate affected • Adverse effect on taste

4

Individual solutions. Suggestion:

- Information technology (mobile phones, laptops, internet) in recent years has enabled process innovation in many areas.
- The just-in-time logistics concept as a process innovation has brought with it significant restructuring of operational processes for enterprises around the world.
- The invention of container transport was a new way of thinking: Ships should not only be regarded as a means of transporting freight but also as a hub for the handling of freight. Loading and unloading essentially determines the amount of idle time a vessel must remain in port; however, this time should also be designed to be as short as possible for cost reasons. The introduction of containers greatly reduced these idle times and increased by leaps and bounds the productivity of the ship as a means of transport.
- RFID (radio identification; i.e. identification using electromagnetic waves). This describes a technology for transmitter-receiver systems for the automatic and contactless identification and localization of objects and living things with radio waves.
- Assembly line production of Henry Ford's Model T.

E2 Enterprise renewal (innovations) – Solutions

5

If an enterprise exists in a state of competition with other enterprises, then it must either accept this or seek out close cooperation. Buying up other enterprises represents a source of innovation.

6

Individual solutions. Suggestion:

Problem: Creation of an innovative table				
Aspects	Possibilities			
Legs	1	5	3	4
Material	Glass	Wood	Plastic	Metal
Color	White	Yellow	Blue	Red
Shape	Triangular	Round	Square	Rectangular
Variations	1	2	3	4

7

Individual group results.

8

Individual group results.

9

Individual solutions. Suggestion:

Technology	Advantages	Disadvantages
Mobile technology	<ul style="list-style-type: none"> • Accessibility • Independence 	<ul style="list-style-type: none"> • Risk of isolation • Electro-pollution
Genetic engineering	<ul style="list-style-type: none"> • Desired changes to genetic material can be made possible (e.g., rice that is resistant to pests) 	<ul style="list-style-type: none"> • As-yet unknown consequences of modified DNA on the environment

E2 Enterprise renewal (innovations) – Solutions

10

Individual solution. Suggestion:

Smart Thing	feature	opportunities	threats
Fridge	<ul style="list-style-type: none"> Automatic re-ordering, identify expired groceries 	<ul style="list-style-type: none"> Sufficient groceries 	<ul style="list-style-type: none"> The same products get re-ordered Special offers are not recognized
Heating	<ul style="list-style-type: none"> Interlaced thermostates learn at what time people are in which room and adjust the temperature Notification on the filling level of the oil tank 	<ul style="list-style-type: none"> Reduces heating costs Automatic re-order from supplier 	<ul style="list-style-type: none"> Within all applications: <ul style="list-style-type: none"> New devices redeem additional investment costs Smart Homes attacked by hackers due to Deficiencies caused by faulty sensors
Blinds	<ul style="list-style-type: none"> Blinds adjust to the lighting. Remote control when absent. 	<ul style="list-style-type: none"> More safety Efficient use of energy 	
Light bulb	<ul style="list-style-type: none"> Irregular turning on and off 	<ul style="list-style-type: none"> More safety by simulating presence 	
Alarm system		<ul style="list-style-type: none"> Safety 	
Washing machine	<ul style="list-style-type: none"> Completes work without supervision 		
Elevator	<ul style="list-style-type: none"> Maintenance of elevators through the collection of data 	<ul style="list-style-type: none"> Anticipating when maintenance is due; reliability of elevators is improved 	