

© International Baccalaureate Organization 2025

All rights reserved. No part of this product may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without the prior written permission from the IB. Additionally, the license tied with this product prohibits use of any selected files or extracts from this product. Use by third parties, including but not limited to publishers, private teachers, tutoring or study services, preparatory schools, vendors operating curriculum mapping services or teacher resource digital platforms and app developers, whether fee-covered or not, is prohibited and is a criminal offense.

More information on how to request written permission in the form of a license can be obtained from <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organisation du Baccalauréat International 2025

Tous droits réservés. Aucune partie de ce produit ne peut être reproduite sous quelque forme ni par quelque moyen que ce soit, électronique ou mécanique, y compris des systèmes de stockage et de récupération d'informations, sans l'autorisation écrite préalable de l'IB. De plus, la licence associée à ce produit interdit toute utilisation de tout fichier ou extrait sélectionné dans ce produit. L'utilisation par des tiers, y compris, sans toutefois s'y limiter, des éditeurs, des professeurs particuliers, des services de tutorat ou d'aide aux études, des établissements de préparation à l'enseignement supérieur, des fournisseurs de services de planification des programmes d'études, des gestionnaires de plateformes pédagogiques en ligne, et des développeurs d'applications, moyennant paiement ou non, est interdite et constitue une infraction pénale.

Pour plus d'informations sur la procédure à suivre pour obtenir une autorisation écrite sous la forme d'une licence, rendez-vous à l'adresse <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organización del Bachillerato Internacional, 2025

Todos los derechos reservados. No se podrá reproducir ninguna parte de este producto de ninguna forma ni por ningún medio electrónico o mecánico, incluidos los sistemas de almacenamiento y recuperación de información, sin la previa autorización por escrito del IB. Además, la licencia vinculada a este producto prohíbe el uso de todo archivo o fragmento seleccionado de este producto. El uso por parte de terceros —lo que incluye, a título enunciativo, editoriales, profesores particulares, servicios de apoyo académico o ayuda para el estudio, colegios preparatorios, desarrolladores de aplicaciones y entidades que presten servicios de planificación curricular u ofrezcan recursos para docentes mediante plataformas digitales—, ya sea incluido en tasas o no, está prohibido y constituye un delito.

En este enlace encontrará más información sobre cómo solicitar una autorización por escrito en forma de licencia: <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

# Business management

## Higher level and standard level

### Paper 1

29 October 2025

Zone A afternoon | Zone B afternoon | Zone C afternoon

1 hour 30 minutes

---

#### Instructions to candidates

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
- Section B: answer one question.
- You are permitted access to a calculator for this paper.
- The maximum mark for this examination paper is **[30 marks]**.

## Walkway Ltd (WW)

In 2020, Nkita Otino, a university engineering graduate in Country Y, set up *Walkway Ltd (WW)* as a privately held company. Nkita was the sole shareholder.

5 Nkita designed floor tiles that, when walked on, generate electricity. The greater the footfall, the greater the electricity generated. Each square-metre tile is six centimetres thick, made from plastic, and can be customized by colour or pattern. *WW* produces the tiles, using the brand name *Telec*, in small batches in its small factory in Country Y. Nkita is the operations and finance manager.

Initial sales, in 2022, were to small shopping malls. The tiles were used only for the main walkways and reduced the malls' electricity bills. A non-governmental organization (NGO) that focused on sustainability gave *WW* an award.

10 In 2023, *WW* received a large order for 10 000 *Telec* tiles from a large, world-famous shopping mall. Unable to meet this order, *WW* outsourced the order to *DV Choi (DVC)*, a manufacturing company in Country K. *WW* provided *DVC* with the tile's design and material specifications and paid *DVC* \$350 to manufacture each tile. *WW* then charged customers \$700 for each tile, which included shipping and installation.

15 Meanwhile, *WW*'s small factory in Country Y continued to produce tiles to meet small orders.

*WW* used crowdfunding and an overdraft to finance the development of the *Telec* tiles. In 2021, to raise additional finance, Nkita sold 40 % of her shares in *WW* to a business angel.

20 *WW* employs 25 skilled workers to make tiles to meet small orders in its small factory. The small scale of production in the factory prevented *WW* from achieving economies of scale. The technology to make the tiles is changing rapidly. Nkita wants the *Telec* tile to be the industry leader in terms of design and technology used.

25 Twenty of the factory's skilled employees are female, and Nkita believes she is creating meaningful employment opportunities for women in Country Y. Nkita is also committed to corporate social responsibility (CSR). *WW*'s mission statement is, "To be an inclusive employer that provides clean sustainable energy to power the world through movement".

30 *WW* is a product-orientated business. Nkita, having spotted a gap in the market, wanted to quickly develop a high-quality product to gain first-mover advantage. Within 18 months, she had designed, tested and launched the *Telec* tile. She has turned down orders from potential customers who wanted tiles of different sizes. In 2024, however, a new entrant into the market, *QQ Tiles*, began to sell tiles similar to the *Telec*, but in four sizes. *QQ Tiles* uses batch production in its factory.

One of *WW*'s strategies is to use a circular business model. *WW* uses renewable resources where possible and generates 20 % of the electricity it uses from solar panels and *Telec* tiles. *WW*'s customers receive 10 % off future orders if they return tiles that they want to replace. *WW* recycles the plastic from these tiles, reducing waste going to landfill sites.

35 As technology advances, the *Telec* tiles can be redesigned to produce more electricity. *WW*'s tile design enables the electronic components of older, existing tiles purchased by customers to be upgraded (updated). This means that *Telec* tiles used by customers in areas with low footfall may last much longer than expected and can generate increased levels of electricity.

40 *WW*'s 25 employees are on permanent contracts with salaries higher than the industry mean (average), but these salaries have not increased for two years. Employees lose one day's salary if they are late for work three times in a month.

45 Each employee works alone at a workstation. Noise levels in the factory require employees to wear ear protection for safety, which prevents conversation. Employee facilities in the factory are basic, with just two bathrooms (rest rooms) and a small break area that can seat 10 people. Similar local businesses have better employee facilities. Improving *WW*'s facilities would be expensive.

*Nkita* uses an autocratic leadership style. She monitors employees closely and expects her decisions to be implemented without question. There is no factory supervisor, and there are no promotion opportunities for employees.

50 In the last two years, eight employees have resigned. When an employee leaves, *Nkita* conducts an exit interview. The reasons employees have given for leaving include that:

- their achievements were rarely recognized
- there were better promotion opportunities elsewhere
- *WW* had poor employee facilities
- they felt isolated at work
- 55 • their ideas on how to improve efficiency were ignored by *Nkita*.

To reduce the number of employees leaving *WW*, *Nkita* has written a plan offering employees:

- a salary increase
- an Employee of the Year trophy
- a monthly dinner at a local restaurant, paid for by *WW*
- 60 • opportunities to work in teams.

*WW*'s human resource (HR) manager disagrees with some elements of *Nkita*'s plan.

Today, *WW* has customers from shopping malls in Country Y, three other neighbouring countries, and the Middle East. A survey *WW* conducted revealed that only 1 % of large businesses knew of *WW* and its *Telec* tile.

65 *WW* is in discussions with an airport operator, *AIX Airports (AIXA)*, which has offered to purchase 25 % of *WW* shares for \$1.25 million. *WW* would reinvest the \$1.25 million. As part of the deal, *AIXA* would buy 30 000 *Telec* tiles for its five airports. *AIXA* also offered to mention the *Telec* tiles in all its advertisements, as it wants to improve its image as an environmentally friendly company.

70 *AIXA* claims to be carbon neutral. However, investigators found that *AIXA* is only referring to its use of solar power and ignores the impact of the petrol (gasoline)-powered vehicles used in its airports on its carbon footprint. *AIXA* is also currently involved in a legal dispute. Female employees have claimed that *AIXA* pays male employees up to 25 % more. *AIXA*'s female employees have been demonstrating daily outside some *AIXA*-owned airports, and the demonstrations have appeared on national television.

75 *WW* wants to expand its factory, which would enable it to cancel its contract with *DVC*. However, *WW* does not have sufficient financial reserves to pay for this expansion, which would cost \$1.75 million. The unit cost of manufacturing the *Telec* tile in *WW*'s expanded factory would be 20 % less than the price charged by *DVC*.

## Section A

Answer **all** questions from this section.

1. State **two** purposes of a mission statement. [2]
2. Define the term *economies of scale*. [2]
3. Describe **two** sources of finance used by *WW*. [4]
4. Explain **one** advantage **and one** disadvantage for *WW* of being a product-orientated business (line 26). [4]
5. Explain why *QQ Tiles* uses batch production rather than flow production (line 30). [2]
6. Explain **two** circular business models that *WW* uses (line 31). [6]

## Section B

Answer **one** question from this section.

7. Discuss, using Maslow’s motivation theory, whether *Nkita*’s plan will reduce the number of employees leaving *WW*. [10]
8. Discuss whether *WW* should accept *AIXA*’s offer to purchase 25% of *WW*’s shares. [10]

*Companies, products, or individuals named in the stimulus are fictitious and any similarities with actual entities are purely coincidental.*

---