Diploma Programme
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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]**.

8825 – 5016

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.

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.

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.

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

DVC demanded a 50 % payment from *WW* for the Telec tiles before *DVC* would begin production. *WW* had limited cash reserves, not enough to make the 50 % payment to *DVC*. Nkita approached a large continent-wide bank, which agreed to provide loan capital to pay *DVC*. However, as *WW* was a relatively new business, the bank charged a high interest rate.

WW only sells the Telec tiles in one size. Nkita has turned down orders from some potential customers who wanted tiles in different sizes.

The installation of *WW*'s Telec tiles in the large, world-famous shopping mall generated global publicity. Nkita decided to step down from her role as operations and finance manager to focus on the best ways to grow the business. She then recruited a finance manager and an operations manager, and some of *WW*'s employees were promoted to middle-management positions. One employee, Viktor Wanyamin, was promoted to marketing manager with authority over all marketing decisions. Nkita employed a *laissez-faire* leadership style, delegating important tasks to the management team.

WW offers a range of financial and non-financial rewards to its employees. Each manager decides on weekly targets and has a wide span of control of employees, who work in teams. Nkita believes in job enrichment and encourages managers to rotate tasks within their teams. Each time an employee left *WW* they are offered an exit interview.

WW uses exhibitions and trade fairs to promote the Telec tiles. Viktor carried out primary and secondary market research to identify what part of the world would be best to focus on with below-the-line promotional activities. He decided to concentrate on the Middle East and Europe.

WW uses premium pricing, as it is one of the world's first companies to offer tiles that generate high levels of electricity. *WW* operates in a niche market and has lost some orders because of its pricing methods.

Eventually, the relationship between *WW* and *DVC* began to deteriorate. *WW*'s new operations manager, Njeri Ochiena, was unhappy with the quality of the tiles *WW* was receiving from *DVC*. Njeri was frustrated because she and her business contact at *DVC* did not have a common language that they both spoke well, a problem that became worse when discussing technical specifications. Njeri also struggled to arrange a time to call the operations manager at *DVC* due to significant differences in time zones.

As the problems with *DVC* continued, Nkita and her management team discussed reshoring production of the Telec tiles back to Country Y. However, there are no manufacturing organizations with the expertise required in Country Y. Therefore, *WW* would need to build a new factory and employ skilled employees to produce the Telec tiles, and these employees would need additional off-the-job training. Njeri was confident that *WW* could improve the quality of the Telec tiles if she could oversee production. Building the factory was estimated to cost $9 million. Njeri's calculations estimated that *WW* could produce the Telec tile for $300 each, significantly improving the profit margin. Country Y's government was offering incentives for businesses to build factories in Country Y.

Competition in the market for electricity-producing tiles is increasing, and other companies can now provide similar tiles at a lower price than *WW*. Recently, *WW* failed to win two contracts for large shopping malls.

Nkita has received offers for strategic alliances from two businesses: *EcoBeats* and *Electroverse Interactive* (*EI*).

EcoBeats is a rapidly growing pioneering nightclub chain. Its mission statement is, "Committed to sustainability without compromising style or excitement". *EcoBeats* strives to minimize its carbon footprint by using solar panels and environmentally friendly materials and by implementing waste-reduction strategies, reducing waste going to landfill. *EcoBeats* aims to be carbon neutral by 2035 and is looking at ways to improve its image as an environmentally friendly company. The owner of *EcoBeats*, Markus Fischer, has proposed a strategic alliance with *WW* to install 25 000 Telec tiles on its nightclub dance floors. In return for selling its tiles to *EcoBeats* at a 25 % discount, *WW* would receive valuable feedback on how its products perform in a different real-world setting. *EcoBeats* would also use social media marketing to promote this strategic alliance, potentially reaching a wide audience. *EcoBeats* is known for its controversial media campaigns.

EI is a video game developer. *EI*'s vision statement is, "Electrifying experiences, redefining gaming through technology and immersive storytelling. Shaping tomorrow's entertainment industry." The video game industry is worth $500 billion—more than the movie and music industry combined. *EI*'s proposal involves *WW* being involved in the development of a new multiplayer game that blends elements of physical exercise and problem solving. *EI*'s idea is for players to be equipped with a headset and full-body motion sensors to interact with the game world. The motion sensors will incorporate some of the energy-capturing technology used in Telec tiles. The proposal would require an additional capital investment of $3 million. As part of this strategic alliance, *EI*'s highly skilled engineers will work with *WW* to improve the technology in the Telec tile. This offer would give *WW* a first-mover advantage.

Section A

Answer **all** questions from this section.

1. State **two** features of loan capital. [2]

2. Define the term *laissez-faire leadership style*. [2]

3. Describe **two** non-financial rewards that *WW* offers its employees. [4]

4. Explain **one** reason why Nkita would want to grow *WW* (lines 23–24). [2]

5. Explain **two** barriers to communication between *WW* and *DVC* that caused their relationship to deteriorate (line 39). [4]

6. Explain **two** ways in which *WW* could modify its marketing mix. [6]

Section B

Answer **one** question from this section.

7. Recommend whether *WW* should continue outsourcing to *DVC* or reshore production to Country Y. [10]

8. Discuss whether *WW* should accept the offer of a strategic alliance from *EcoBeats* or from *EI*. [10]

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