IB Diploma Programme Business Management

Giáo trình luyện thi chuyên sâu

Song ngữ Anh–Việt

8020 ENGLISH

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Lời mở đầu · Foreword

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9.0 IELTS cao nhất	**1570** SAT cao nhất
5/5 AP — điểm tuyệt đối	**90/100** IB Diploma
100% GV $\geq$ 8.0 IELTS / 1500 SAT	**CMU** Tiến sĩ ĐH #1 Hoa Kỳ về CS

> **Đội ngũ tiêu biểu:** Thầy Châu Cát Tường (Academic Head, ThS Western Sydney, top 1% IELTS 8.5) · TS Nguyễn Anh Huy (Carnegie Mellon, cựu kỹ sư Amazon) · TS Nguyễn Phước Trường (Toán, ĐH Klagenfurt) · cùng đội ngũ giảng viên SAT 1500–1600, IELTS 8.0–8.5.

Kết quả học viên — điểm thi thật: IELTS 8.0–9.0 · SAT 1550 / 1570 / 1590 · AP 5/5 (Calculus BC, Microeconomics) · IB 90/100 (Economics) · Duolingo 110 · PTE 90 · TOEFL 120. **Bảng vàng SAT:** Khánh Đăng 1510 · Thảo Nguyên 1520 · Tâm Anh 1530.

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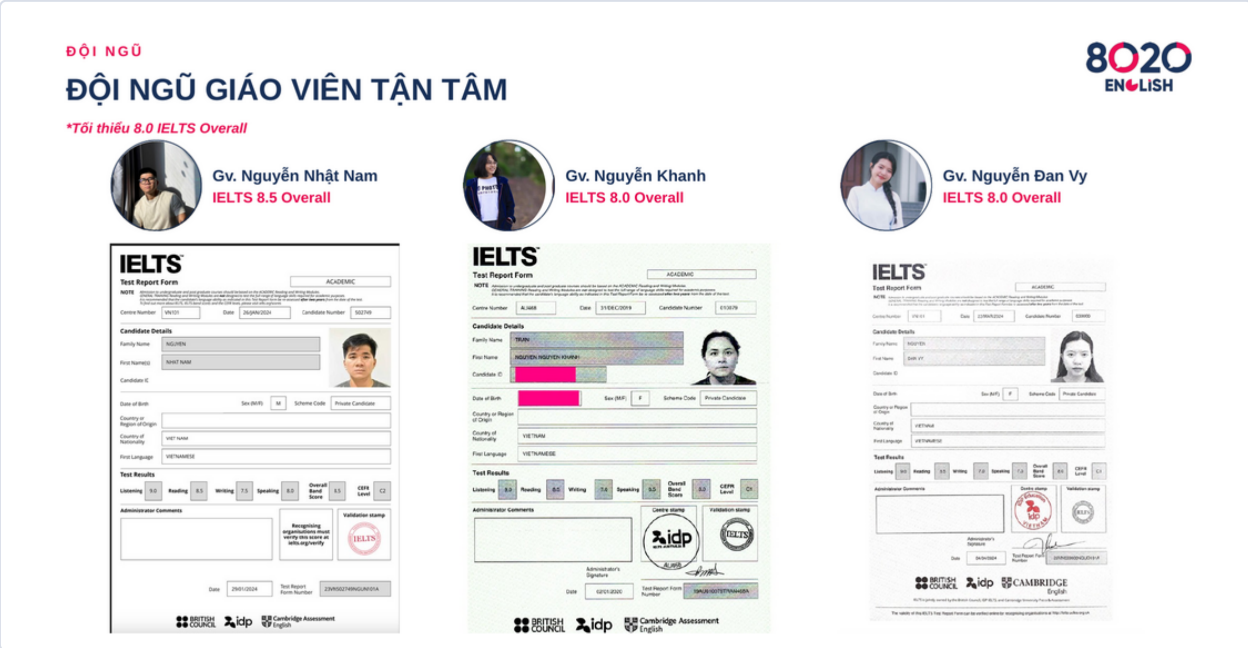
THÀNH TÍCH THỰC TẾ · 8020 ENGLISH

Điểm thi thật · Bằng & bảng điểm thật của giảng viên và học viên 8020 English — **Điểm thật · Thầy thật · Kết quả thật**



Giảng viên 8020 — IELTS 8.5 & 8.0 Overall (British Council · IDP · Cambridge)

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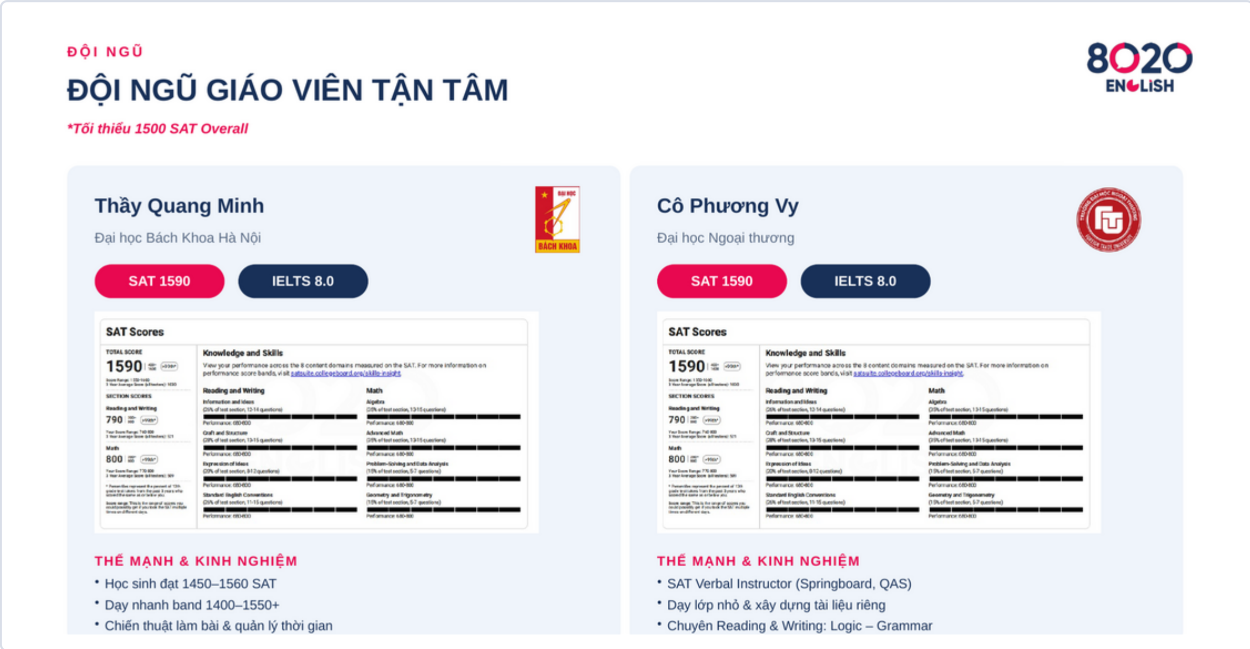

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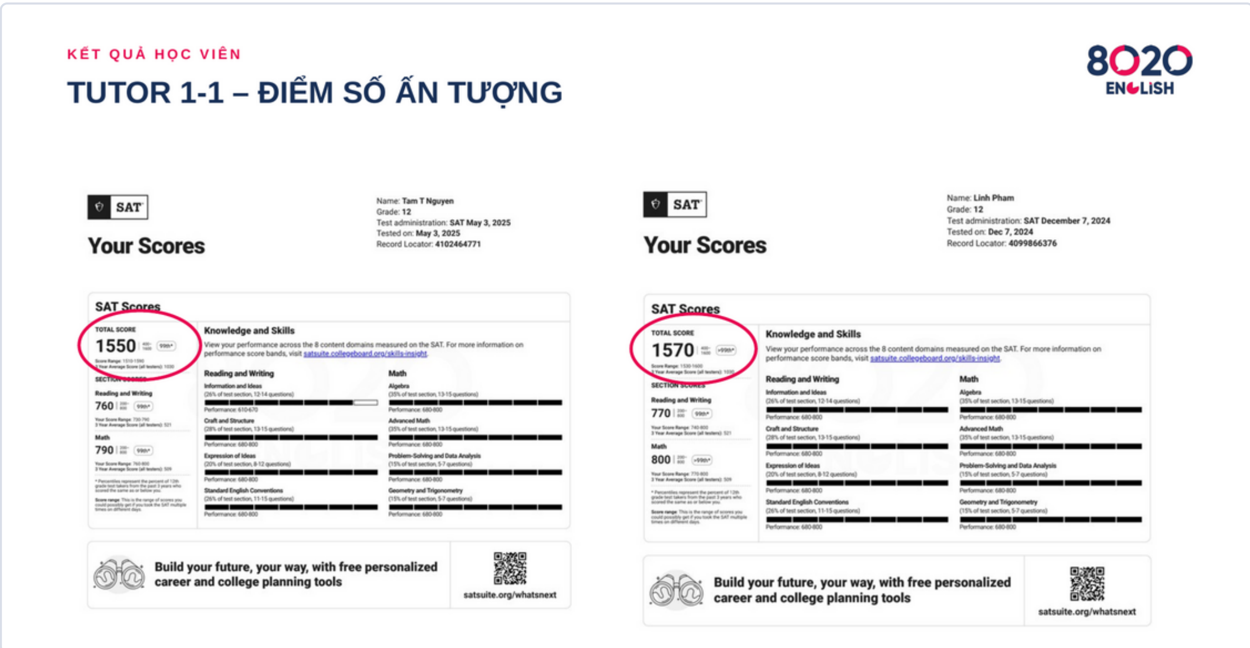

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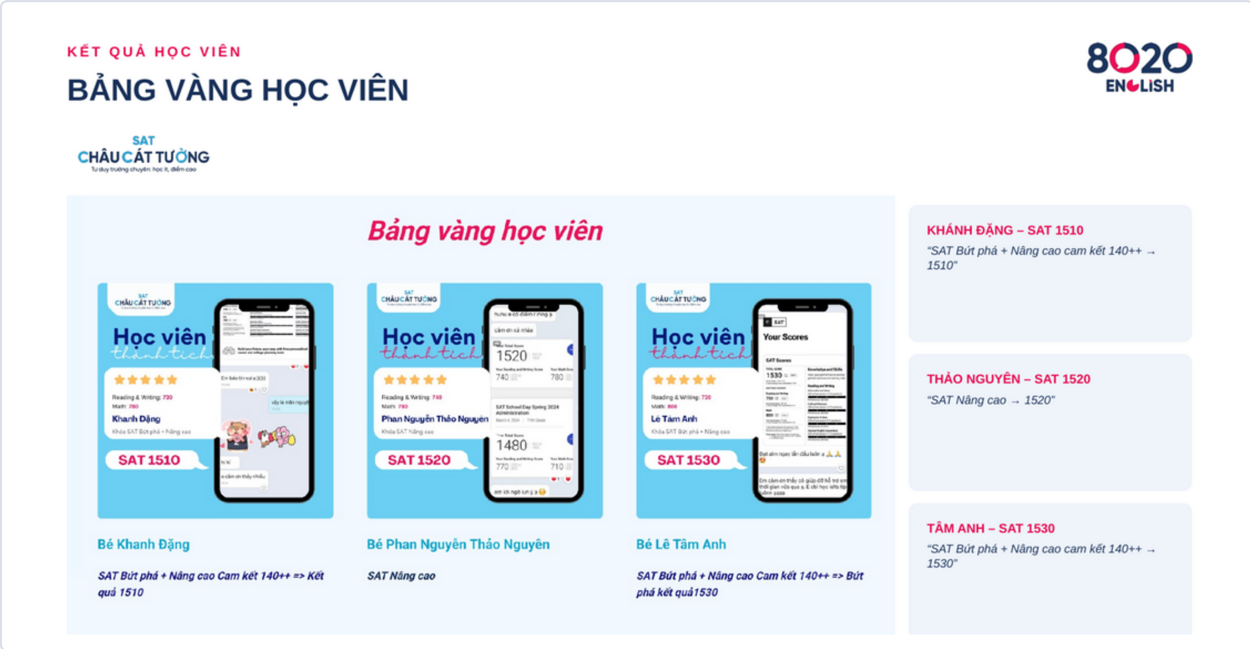
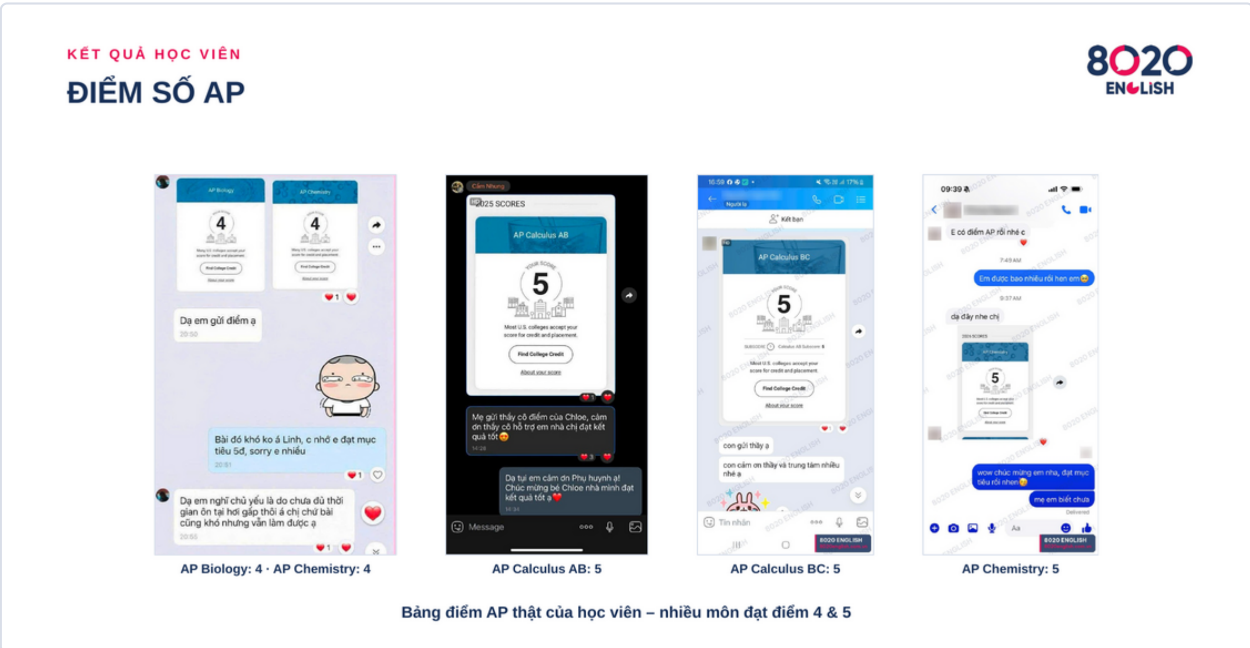


Bảng vàng SAT — Học viên đạt 1510 · 1520 · 1530



Điểm AP thật — Calculus AB/BC 5/5 · Biology & Chemistry 4–5 (College Board)

Mục lục • Contents

IB DIPLOMA PROGRAMME • Unit 1

Introduction to Business Management

Mục tiêu Unit: Bản chất hoạt động kinh doanh, các yếu tố sản xuất và giá trị gia tăng; các loại hình sở hữu doanh nghiệp (sole trader, partnership, Ltd, PLC, hợp tác xã, tổ chức phi lợi nhuận, franchise) và cách lựa chọn; tinh thần khởi nghiệp và lập kế hoạch kinh doanh; hệ thống mục tiêu doanh nghiệp (sứ mệnh, tầm nhìn, SMART, CSR, triple bottom line); phân tích môi trường bên ngoài bằng STEEPLE và SWOT; các bên liên quan (stakeholders) và ma trận quyền lực–lợi ích; chiến lược tăng trưởng nội sinh/ngoại sinh, các loại sáp nhập, economies/diseconomies of scale; vai trò và tác động của các công ty đa quốc gia (MNCs) — HL; và quản trị khủng hoảng, lập kế hoạch dự phòng (crisis management & contingency planning) — HL.

1.1 Business functions and the transformation process

1.1.1 Factors of production and added value

A **business** is any organisation that combines scarce resources to produce goods or services intended to satisfy customer **needs** (essentials required for survival, such as food, shelter and basic clothing) and **wants** (non-essential desires that go beyond survival, such as a luxury holiday or the latest smartphone). Most businesses pursue this activity in order to earn a profit, though as later sections show, profit is rarely the *only* objective a business pursues. Every business, regardless of its size, sector or legal form, transforms four **factors of production** into an output:

- **Land** — natural resources used in production, including raw materials, agricultural land, building sites, water and energy sources. The reward to land is *rent*.
- **Labour** — the physical and mental effort that the workforce contributes to production. The reward to labour is *wages/salaries*.
- **Capital** — man-made resources used to produce other goods and services: machinery, tools, factories, vehicles and the financial capital used to acquire them. The reward to capital is *interest*.
- **Enterprise** — the willingness of an entrepreneur to combine the other three factors, innovate, and bear the risk of business failure in pursuit of reward. The reward to enterprise is *profit*.

This combination of factors is called the **transformation process**: inputs are converted into outputs (finished goods or delivered services) that customers are willing to pay for. A transformation process is only commercially viable in the long run if it creates **added value** — otherwise the business destroys resources rather than creating wealth.

Khái niệm cốt lõi

Added value = Selling price − Cost of bought-in materials and components. It measures how much extra worth a business creates through production, design, branding, service or innovation, over and above the cost of what it buys in from outside suppliers. A business can raise added value through: superior product quality, a distinctive **unique selling point (USP)**, faster or more convenient service, powerful branding, or genuine innovation. Crucially, added value is *not* increased simply by cutting costs — cost leadership is a separate, alternative competitive strategy that lowers the cost base rather than raising the value customers perceive in the product.

VN **GIẢI THÍCH TIẾNG VIỆT**

Giá trị gia tăng (added value) là phần chênh lệch giữa giá bán và chi phí nguyên vật liệu/linh kiện mua vào — đây là phần "giá trị" doanh nghiệp tạo thêm qua sản xuất, thiết kế, thương hiệu hoá hay dịch vụ. Bốn yếu tố sản xuất là đất đai (land — phần thưởng là tiền thuê), lao động (labour — tiền lương), vốn (capital — tiền lãi) và tinh thần khởi nghiệp (enterprise — lợi nhuận). Lưu ý: tăng giá trị gia tăng khác hoàn toàn với cắt giảm chi phí — đây là hai chiến lược cạnh tranh khác nhau (khác biệt hoá sản phẩm và dẫn đầu chi phí).

Worked example: Added value

A furniture workshop buys timber and hardware costing $180 per chair and sells each finished chair for $540.

$$\text{Added value} = 540 - 180 = \boxed{\$360 \text{ per chair}}$$

This $360 must still cover labour, factory overheads, marketing spend and profit — it is *not* pure profit, since none of those further costs have yet been deducted.

(!) Lỗi thường gặp: Do not confuse **added value** with **profit**. Added value is calculated *before* labour costs, overheads and marketing spend are deducted from revenue; profit is what remains *after all* costs — including labour and overheads — have been subtracted. A product can have high added value per unit yet the business can still make a loss if fixed costs are too high or sales volumes too low.

1.1.2 Functional areas of business

Four interdependent **functional areas** coordinate the transformation process in most organisations of any meaningful size:

Human resources (HR) — workforce planning, recruitment, training, appraisal, motivation and reward.

Finance and accounts — raising funds, recording transactions, managing cash flow, controlling costs, producing financial statements.

Marketing — market research, product development, pricing, promotion and distribution — identifying and profitably satisfying customer needs.

Operations (production) — producing the good or delivering the service, managing quality, capacity, inventory and suppliers.

These functions do not operate in isolation: a decision in one area routinely creates consequences for the others. A marketing department's decision to launch a major advertising campaign, for example, requires the operations function to raise output to meet the resulting demand, the finance function to fund the additional working capital and advertising spend, and the HR function to recruit or reschedule staff to handle the higher volume. Weak coordination between functions — for example, marketing promising delivery dates that operations cannot meet — is one of the most common sources of customer dissatisfaction and wasted cost in real organisations.

VN **GIẢI THÍCH TIẾNG VIỆT**

Bốn phòng ban chức năng — nhân sự (HR), tài chính (finance), marketing và vận hành (operations) — luôn phụ thuộc lẫn nhau. Một quyết định marketing (ví dụ chạy chiến dịch quảng cáo lớn) đòi hỏi vận hành tăng sản lượng, tài chính đủ vốn lưu động, và nhân sự tuyển dụng/điều phối nhân viên kịp thời. Thiếu phối hợp giữa các phòng ban (ví dụ marketing hứa hẹn ngày giao hàng mà vận hành không đáp ứng được) là nguyên nhân phổ biến gây mất khách hàng và lãng phí chi phí.

1.1.3 Sectors of production and structural change

Economic activity across an entire economy is grouped into broad **sectors of production**:

Primary sector — extraction of raw materials directly from nature (farming, fishing, forestry, mining, oil extraction).

Secondary sector — manufacturing and construction: transforming raw materials into finished or semi-finished goods (car assembly, food processing, house-building).

Tertiary sector — the provision of services to consumers and other businesses (retail, banking, education, healthcare, tourism, transport).

Quaternary sector — knowledge-based, high-technology research and information services (software development, scientific R&D, data analytics, consultancy).

As an economy develops, employment and output typically shift from the primary sector toward the secondary sector, and eventually toward the tertiary and quaternary sectors — a long-run pattern of **structural change**. Mature, developed economies frequently experience **deindustrialisation**: a declining share of national output and employment in manufacturing (secondary sector), as production automates, relocates to lower-cost countries, or is displaced by growth in services and knowledge-based industries. A single country can show very different sector profiles across its regions, and a single large business can itself operate across more than one sector (a supermarket chain that also manufactures its own-brand food products spans both the secondary and tertiary sectors).

GIẢI THÍCH TIẾNG VIỆT
VN
Nền kinh tế được chia thành khu vực sơ cấp (primary — khai thác tài nguyên thô), khu vực thứ cấp (secondary — sản xuất/chế biến), khu vực dịch vụ (tertiary — bán lẻ, ngân hàng, giáo dục...) và khu vực tri thức/công nghệ cao (quaternary — R&D, phần mềm, tư vấn). Khi nền kinh tế phát triển, lao động và sản lượng thường dịch chuyển dần từ sơ cấp sang thứ cấp rồi sang dịch vụ/tri thức — hiện tượng "phi công nghiệp hoá" (deindustrialisation) thường thấy ở các nước phát triển khi tỷ trọng sản xuất công nghiệp giảm dần.

Worked example: Classifying business activity by sector

Classify each of the following by economic sector, with a one-line justification: (1) a commercial cobalt mine; (2) a car-parts assembly factory; (3) a corporate law firm; (4) an artificial-intelligence research laboratory developing new machine-learning algorithms.

(1) **Primary** — directly extracting a raw material (cobalt ore) from the earth.
(2) **Secondary** — manufacturing a finished/component good from raw and semi-finished materials.
(3) **Tertiary** — providing a professional service to clients rather than making or extracting a physical product.
(4) **Quaternary** — knowledge-based research and information-services activity, distinct from routine service provision.

1.1.4 Technology, automation and the changing functional areas

Rapid advances in automation, e-commerce and artificial intelligence are reshaping every functional area introduced above, and illustrate why the **Technological** category of external analysis (Section 1.5) is rarely separable from a firm's internal functional decisions.

- **Operations** — robotics and automated production lines can cut unit labour costs and improve consistency, though they require large upfront capital investment and can reduce flexibility to change products quickly.
- **Human resources** — AI-assisted recruitment screening, people-analytics software and remote-working technology change how staff are hired, monitored and managed; automation can eliminate some routine roles while creating new demand for technical and digital skills.
- **Marketing** — e-commerce platforms, social media and customer data analytics allow far more precisely targeted promotion and personalised pricing than traditional mass-market advertising.
- **Finance** — automated accounting and real-time reporting software reduce the cost, delay and error rate of financial record-keeping and forecasting.

(!) Lỗi thường gặp: Do not assume automation only ever *reduces* headcount. It frequently reduces the number of routine roles while simultaneously *increasing* demand for higher-skilled roles (technicians, data analysts, software engineers) — the net employment effect, and the skills required, both change rather than simply shrink.

VN **GIẢI THÍCH TIẾNG VIỆT**

Công nghệ, tự động hoá và AI đang thay đổi cả bốn phòng ban chức năng: vận hành (robot hoá dây chuyền sản xuất, giảm chi phí lao động nhưng cần vốn đầu tư ban đầu lớn), nhân sự (tuyển dụng bằng AI, làm việc từ xa, giảm vai trò thường lệ nhưng tăng nhu cầu kỹ năng kỹ thuật), marketing (quảng cáo và định giá cá nhân hoá qua dữ liệu khách hàng) và tài chính (phần mềm kế toán tự động, báo cáo thời gian thực).

1.1.5 Local, national, international and global businesses

Businesses also differ enormously in geographic scale of operation. A **local business** serves customers within a single town or region (an independent corner shop); a **national business** operates across an entire country (a domestic supermarket chain); an **international business** trades across national borders — exporting goods, or importing inputs — without necessarily owning operations abroad; and a **multinational company (MNC)**, covered in depth in Section 1.8, owns or controls production or service operations in two or more countries.

Scale of operation is a spectrum, not a fixed category: a single successful local business can grow through the organic and external growth strategies covered in Section 1.7 to become national, then international, then fully multinational — and the legal structure, functional complexity and external-environment exposure of the business typically change substantially at each stage.

VN **GIẢI THÍCH TIẾNG VIỆT**

Quy mô địa lý của doanh nghiệp là một phổ liên tục: doanh nghiệp địa phương (local) có thể tăng trưởng qua các chiến lược ở Mục 1.7 để trở thành doanh nghiệp quốc gia (national), sau đó quốc tế (international — xuất/nhập khẩu nhưng chưa sở hữu cơ sở ở nước ngoài), và cuối cùng là công ty đa quốc gia (MNC — sở hữu/kiểm soát hoạt động ở từ hai quốc gia trở lên, xem Mục 1.8).

1.2 Types of business organisation

The legal structure a business chooses shapes its owners' **liability** for business debts, its **ability to raise finance**, the degree of **control** owners retain, and the **continuity** of the business if an owner leaves, retires or dies. Choosing the right structure — and changing it as the business grows — is one of the first major strategic decisions any entrepreneur makes.

1.2.1 Sole traders and partnerships

A **sole trader** is a business owned and run by one individual. It is the simplest, cheapest and fastest structure to set up, requiring minimal legal formality, and gives the owner complete control over all decisions and all profit. However, a sole trader is not a separate legal entity from its owner: the owner has **unlimited liability**, meaning that if the business cannot pay its debts, creditors can pursue the owner's personal assets (house, car, savings) to recover what is owed. Sole traderships also typically struggle to raise large amounts of external finance, rely heavily on the health and effort of a single person, and have no automatic continuity if that person dies, retires or becomes unable to work.

A **partnership** is owned by two or more people who contribute capital, skills and effort, usually formalised in a **partnership agreement** that specifies how profits are shared, how decisions are made, and what happens if a partner leaves. Partnerships allow pooled capital and complementary skills (for example, one partner strong in operations, another in sales), but in an **ordinary partnership** every partner shares **unlimited liability** — and critically, each partner can typically be held liable for debts run up by *other* partners, not only their own decisions. A **limited liability partnership (LLP)** is a modified structure, common among professional firms (law, accountancy, consulting), that gives partners limited liability while retaining much of the operational flexibility of an ordinary partnership.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> Sole trader (một chủ) và partnership (hợp danh) là hai loại hình đơn giản nhất. Cả hai thường có trách nhiệm vô hạn (unlimited liability) — chủ sở hữu phải dùng cả tài sản cá nhân để trả nợ nếu doanh nghiệp phá sản; trong hợp danh thông thường, mỗi thành viên còn có thể phải chịu trách nhiệm cho các khoản nợ do thành viên khác gây ra. Hợp danh trách nhiệm hữu hạn (LLP) là biến thể phổ biến trong các ngành nghề chuyên môn (luật, kiểm toán) giúp giảm rủi ro cá nhân cho từng thành viên.

1.2.2 Private and public limited companies

Both a **private limited company (Ltd)** and a **public limited company (PLC)** are **incorporated**: the law treats the company as a distinct legal "person", separate from its owners. This has a crucial consequence — **limited liability**: shareholders can only lose the amount of money they have already invested in the company; their personal assets cannot be seized to repay the company's debts.

> **Khái niệm cốt lõi**
>
> **Limited liability** means an owner's maximum loss is capped at the amount they invested — personal assets (house, savings) are protected from business creditors. **Unlimited liability** means the owner is personally liable for *all* outstanding business debts, with no such cap. Incorporation is what creates this separation: a limited company, not its shareholders, is the entity that owes the debt or is sued.

A **private limited company (Ltd)** sells shares only privately — to family, friends, employees or invited investors — and cannot list its shares for public trading on a stock exchange. This keeps control concentrated among a small group of founders/investors, at the cost of a lower ceiling on how much capital the company can realistically raise. A **public limited company (PLC)** can offer its shares for sale to the general public via a stock exchange listing (an **initial public offering**, or IPO), which can raise very large sums of capital very quickly — but a PLC faces far stricter financial disclosure and corporate-governance regulation, dilutes the founders' control as thousands of new shareholders gain voting rights, and becomes exposed to the risk of a **hostile takeover** (an outside investor buying enough shares on the open market to gain control against the wishes of the existing board).

GIẢI THÍCH TIẾNG VIỆT

VN Công ty TNHH tư nhân (Ltd) và công ty đại chúng (PLC) đều có tư cách pháp nhân riêng và trách nhiệm hữu hạn (limited liability) — cổ đông chỉ mất số tiền đã đầu tư. Ltd chỉ bán cổ phần riêng tư (gia đình, bạn bè, nhà đầu tư được mời), giữ quyền kiểm soát tập trung. PLC có thể niêm yết và bán cổ phần rộng rãi trên sàn chứng khoán, huy động vốn lớn hơn nhiều, nhưng chịu quy định công bố thông tin chặt chẽ hơn, quyền kiểm soát của người sáng lập bị pha loãng, và có nguy cơ bị thâu tóm thù địch (hostile takeover).

Worked example: Liability comparison

A sole trader and a shareholder in a private limited company each invest $20,000 of personal savings into their respective businesses. Both businesses subsequently fail, owing $60,000 to creditors.

The **sole trader** has **unlimited liability**: having already lost the $20,000 invested, creditors can pursue the owner's personal assets for the remaining $40,000 shortfall ($60,000 owed − $20,000 already lost $= \$40,000$).

The **shareholder** in the private limited company has **limited liability**: they lose only the $20,000 already invested; the remaining $40,000 owed to creditors cannot be claimed from their personal assets (subject to normal legal exceptions, such as a signed personal guarantee on a specific loan).

1.2.3 Cooperatives, non-profits and social enterprises

Beyond the conventional for-profit spectrum, several further ownership models exist, each suited to different goals:

- **Cooperatives** — owned and democratically controlled by their own members (worker cooperatives, consumer cooperatives, agricultural cooperatives), who share the resulting profit or benefit. Governance is often "one member, one vote" rather than proportional to capital invested, aligning control with participation rather than wealth.
- **Non-governmental organisations (NGOs) and non-profit organisations** — pursue a social, humanitarian or environmental mission rather than distributing profit to owners; any operating surplus is reinvested into the organisation's mission.
- **Public corporations (state-owned enterprises)** — owned and controlled by government, typically providing essential services or operating natural monopolies (utilities, railways), balancing a public-service objective against commercial efficiency.
- **Social enterprises** — trade commercially, and must remain financially self-sustaining, but exist primarily to deliver a social or environmental purpose; profit is substantially reinvested into that mission. Social enterprises are said to pursue a **dual bottom line**: financial sustainability *and* measurable social/environmental impact, rather than shareholder wealth maximisation alone.

GIẢI THÍCH TIẾNG VIỆT

VN Ngoài các loại hình vì lợi nhuận thông thường, còn có: hợp tác xã (cooperative — sở hữu và điều hành dân chủ bởi chính các thành viên, biểu quyết theo đầu người chứ không theo vốn góp); tổ chức phi chính phủ/phi lợi nhuận (NGO) theo đuổi sứ mệnh xã hội, lợi nhuận dư ra được tái đầu tư vào sứ mệnh; doanh nghiệp nhà nước (public corporation) do chính phủ sở hữu, thường cung cấp dịch vụ thiết yếu; và doanh nghiệp xã hội (social enterprise) theo đuổi "mục tiêu kép" (dual bottom line) — vừa duy trì tài chính bền vững vừa tạo tác động xã hội/môi trường.

1.2.4 Franchising as a business structure

Franchising is a contractual arrangement in which a **franchisor** (the owner of an established brand, business model and operating systems) licenses another party, the **franchisee**, to trade under that brand within a defined territory, in exchange for an initial franchise fee and ongoing royalty payments (usually a percentage of sales). For the franchisee, this substantially reduces the risk of business failure by providing a proven business model, established brand recognition, supplier relationships, training and ongoing marketing support — at the cost of upfront and ongoing fees, and reduced independence, since the franchisee must operate within the franchisor's rules on products, pricing, layout and service standards. For the franchisor, franchising allows much faster geographic expansion with lower capital outlay than opening company-owned branches, and shares the operational and financial risk with local franchisee-operators who tend to be highly motivated owner-managers — but the franchisor sacrifices some direct control over how the brand is delivered at each site, and reputational damage at one franchised outlet can affect the whole brand.

VN **GIẢI THÍCH TIẾNG VIỆT**

Nhượng quyền thương mại (franchise): franchisor (chủ thương hiệu) cấp phép cho franchisee (bên nhận nhượng quyền) kinh doanh dưới thương hiệu có sẵn, đổi lại franchisee trả phí ban đầu và phí bản quyền định kỳ (thường theo % doanh thu). Franchisee được lợi từ mô hình đã được kiểm chứng, thương hiệu có sẵn, đào tạo và hỗ trợ marketing — nhưng mất một phần độc lập và phải trả phí liên tục. Franchisor mở rộng nhanh với vốn đầu tư thấp hơn và chia sẻ rủi ro, nhưng mất một phần quyền kiểm soát trực tiếp.

1.2.5 Comparing legal structures

The table below summarises how the main structures differ across the five dimensions that matter most for strategic choice: liability, ownership, ability to raise capital, control and continuity.

Structure	Liability	Ownership	Raising capital	Control	Continuity
Sole trader	Unlimited	One individual owner	Very limited: own savings, small loans	Full control with one owner	Ends if owner stops trading/dies
Partnership	Unlimited (LLP: limited)	2+ partners	Combined partner capital; still modest	Shared per partnership agreement	May dissolve if a partner leaves/dies
Private Ltd company	Limited to amount invested	Shareholders (private, invited only)	Moderate–large: private share sales, easier bank credit	Concentrated with founders/investors	Separate legal identity; survives ownership changes
Public Ltd company (PLC)	Limited to amount invested	Shareholders (public, freely traded)	Very large: public share issue on a stock exchange	Diluted; risk of hostile takeover	Perpetual; shares trade freely
Cooperative	Usually limited	Member-owners (workers/consumers)	Limited to member contributions/loans	Democratic: one member, one vote	Continues as membership changes
Non-profit/ social enterprise	Usually limited (if incorporated)	No shareholders; board/trustees	Donations, grants, trading income	Board/trustees, mission-led	Continues independent of any founder

Table 1.1 — Comparing business structures across liability, ownership, capital-raising, control and continuity.

(!) Lỗi thường gặp: A common exam error is assuming that incorporation (Ltd/PLC) automatically means a business is "big." Company size and legal structure are independent choices: a single-person start-up can incorporate as a private limited company from day one (often precisely *to* gain limited liability protection), while some very large family businesses remain unlimited partnerships for generations.

Worked example: Recommending a legal structure

Two friends want to open a graphic-design studio. They have modest personal savings, want to minimise set-up cost and paperwork for the first year, but plan to seek significant outside investment within three years in order to expand internationally. Recommend a legal structure, with justification, for (a) year one and (b) year three onward.

(a) Year one: an ordinary **partnership** is appropriate. It is cheap and simple to set up, requires minimal legal formality, and allows the two founders to combine complementary design/business skills and share start-up capital and workload — well suited to a small, low-risk operation with little outside capital involved yet.

(b) Year three onward: the founders should convert to a **private limited company (Ltd)** before taking on outside investment. Serious external investors (angel investors, venture capital funds) will typically require limited liability protection and a defined shareholding in return for their capital — a partnership cannot easily issue tradeable shares to new investors, whereas incorporating creates a separate legal entity that can issue shares, formalise ownership stakes, and protect the founders' personal assets as the business (and its risk exposure) grows.

1.2.6 The process of incorporation

Converting a sole trader or partnership into a private limited company involves several concrete legal steps: registering the company with the relevant national companies' registrar, drafting a **memorandum and articles of association** (documents defining the company's purpose, share structure and internal governance rules), appointing at least one director, and issuing shares to the initial owners. From that point on, the company must file annual financial accounts and pay corporate tax as a separate legal entity, in exchange for the limited-liability protection described above.

VN **GIẢI THÍCH TIẾNG VIỆT**

Chuyển đổi từ sole trader/partnership sang công ty TNHH (Ltd) đòi hỏi các bước pháp lý cụ thể: đăng ký với cơ quan đăng ký doanh nghiệp, soạn thảo điều lệ công ty (memorandum and articles of association), bổ nhiệm giám đốc, và phát hành cổ phần cho chủ sở hữu ban đầu. Đổi lại việc phải nộp báo cáo tài chính hàng năm và thuế doanh nghiệp riêng biệt, công ty được bảo vệ bởi trách nhiệm hữu hạn.

1.2.7 Choosing and changing structure as a business grows

Many successful businesses do not choose a single legal structure for life. A common growth path runs: **sole trader** (minimal-cost start-up, testing an idea) → **partnership** (adding a co-founder's capital/skills) → **private limited company** (gaining limited liability and a clearer ownership structure as the business, and its risk, grows) → **public limited company** (raising large-scale capital once the business is established enough to meet stock-exchange disclosure requirements). The right structure at any point balances the cost and complexity of a more formal structure against the benefits — liability protection and access to capital — that it unlocks.

There is no single "correct" legal structure for every business. A small, low-risk consultancy with one owner may rationally remain a sole trader for decades; a capital-intensive technology start-up seeking large venture-capital investment may incorporate as a private limited company from its very first day of trading, precisely to offer investors a formal shareholding and limited-liability protection.

GIẢI THÍCH TIẾNG VIỆT
VN
Nhiều doanh nghiệp thay đổi loại hình theo thời gian: sole trader (khởi đầu chi phí thấp) → partnership (thêm vốn/kỹ năng đồng sáng lập) → Ltd (có trách nhiệm hữu hạn khi rủi ro tăng) → PLC (huy động vốn lớn khi đã đủ trưởng thành). Không có loại hình "đúng" duy nhất — lựa chọn phụ thuộc vào quy mô, mức độ rủi ro và nhu cầu vốn của từng doanh nghiệp tại từng thời điểm.

Worked example: Quick-fire legal structure classification

Identify the most appropriate legal structure for each scenario, with a one-line reason: (1) a retired teacher wants to sell homemade jam at a weekend market with no employees and minimal risk; (2) two dentists want to share a clinic, equipment and administrative costs while keeping set-up simple; (3) a fast-growing software company plans to raise $3 million from venture capital investors within a year.

(1) **Sole trader** — minimal cost, minimal formality, appropriate for very low risk and no employees.
(2) **Partnership** — allows the two dentists to pool capital, equipment and administrative costs simply, without the cost of incorporating.
(3) **Private limited company (Ltd)** — venture capital investors require a formal shareholding and limited-liability protection before committing significant capital.

1.3 Entrepreneurship and business planning

1.3.1 Entrepreneurs and intrapreneurs

An **entrepreneur** is an individual who organises factors of production, innovates, and accepts financial risk in pursuit of profit and personal reward, typically by founding a new business. An **intrapreneur** applies the same entrepreneurial mindset — spotting opportunities, taking calculated risks, driving innovation — while working *inside* an existing organisation, often to develop new products or business units on the parent company's behalf.

Commonly cited entrepreneurial characteristics include: **risk tolerance** (willingness to commit capital and time without a guaranteed return), **opportunity recognition** (identifying unmet customer needs before competitors do), **resilience** (persisting through setbacks and failure), **self-belief and internal locus of control** (confidence that outcomes depend on one's own decisions rather than luck), **determination and hard work**, and a clear **vision** for what the business should become.

GIẢI THÍCH TIẾNG VIỆT
VN
Entrepreneur (doanh nhân khởi nghiệp) là người tổ chức các yếu tố sản xuất, đổi mới sáng tạo và chấp nhận rủi ro tài chính để theo đuổi lợi nhuận, thường bằng cách thành lập doanh nghiệp mới. Intrapreneur (nội bộ khởi nghiệp) mang tư duy tương tự nhưng hoạt động *bên trong* một tổ chức đã có sẵn — ví dụ phát triển sản phẩm/mảng kinh doanh mới cho công ty chủ quản. Đặc điểm điển hình của entrepreneur: chấp nhận rủi ro, nhận diện cơ hội, kiên trì vượt qua

thất bại, tự tin vào khả năng kiểm soát kết quả, và có tầm nhìn rõ ràng.

1.3.2 Why new businesses fail

Many new ventures do not survive their first few years of trading. Common causes of **business failure** include:

- **Poor cash-flow management** — a business can be profitable on paper yet still fail if it runs out of cash to pay staff, suppliers or rent when payments fall due.
- **Inadequate market research** — launching a product nobody sufficiently wants, or at the wrong price, in the wrong location, or targeted at the wrong customer segment.
- **Over-rapid expansion** — growing faster than the business's cash, systems or management capacity can support (see Section 1.7.6).
- **Poor leadership and management** — weak strategic decision-making, poor delegation, or an inability to adapt the original business plan as circumstances change.
- **Failure to adapt to the external environment** — ignoring shifts in STEEPLE factors (Section 1.5), such as new competition, changing consumer tastes, or new regulation.
- **Under-capitalisation** — starting with insufficient capital to survive the (often lengthy) period before the business becomes reliably profitable.

VN GIẢI THÍCH TIẾNG VIỆT

Doanh nghiệp mới thường thất bại vì: quản lý dòng tiền kém (có lãi trên giấy tờ nhưng vẫn hết tiền mặt để trả lương/nhà cung cấp); nghiên cứu thị trường không đầy đủ; mở rộng quá nhanh vượt khả năng quản lý; lãnh đạo yếu kém; không thích ứng kịp với môi trường bên ngoài (STEEPLE); và thiếu vốn ban đầu để trụ qua giai đoạn chưa có lãi ổn định.

1.3.3 The business plan

A **business plan** is a written document that sets out what a proposed (or existing) business intends to do and how it intends to do it. It typically includes: an **executive summary**; a description of the product/service and the market opportunity; a **marketing plan** (target customers, pricing, promotion, distribution); an **operations plan** (location, suppliers, production method); an **HR plan** (staffing needs); and detailed **financial forecasts** (start-up costs, cash-flow forecast, break-even analysis, projected profit and loss).

Khái niệm cốt lõi

A business plan serves three main purposes: (1) it forces the entrepreneur to think rigorously and realistically through every aspect of the venture *before* committing money, exposing weaknesses in the idea early; (2) it is the primary document used to **secure external finance** — banks and investors will rarely lend to, or invest in, a business without seeing a credible plan; and (3) once trading begins, it provides a benchmark against which actual performance can be measured and strategy adjusted.

VN GIẢI THÍCH TIẾNG VIỆT

Kế hoạch kinh doanh (business plan) là văn bản trình bày doanh nghiệp dự định làm gì và làm như thế nào — gồm tóm tắt điều hành, mô tả sản phẩm/thị trường, kế hoạch marketing, kế hoạch vận hành, kế hoạch nhân sự và dự báo tài chính chi tiết. Ba vai trò chính: buộc người sáng lập suy nghĩ kỹ lưỡng trước khi bỏ vốn; là công cụ để huy động vốn từ ngân hàng/nhà đầu tư; và là chuẩn để đo lường hiệu quả thực tế sau khi vận hành.

(!) Lỗi thường gặp: Students often confuse a **mission statement** (a short, aspirational sentence describing why a business exists) with a **business plan** (a long, detailed operational document including quantified financial forecasts). A mission statement does not need to be quantified or time-bound; a well-written business plan's financial section always is.

1.3.4 Risk and reward: the economics of entrepreneurship

Starting a business always involves **opportunity cost**: the entrepreneur typically forgoes a stable salary, employee benefits and job security in exchange for uncertain future reward. Financial risk is compounded when the entrepreneur must offer personal assets as **collateral** to secure a bank loan (common for sole traders and small partnerships — see Section 1.2), directly linking business risk to personal financial risk. In return, successful entrepreneurship can offer substantial **financial reward** (business profit, and the increased resale value of the business itself) as well as significant **non-financial reward**: independence, flexibility, and the personal satisfaction of building something according to one's own vision.

(!) Lỗi thường gặp: Do not describe entrepreneurial reward as purely financial. IB exam mark schemes routinely credit non-financial motives — autonomy, work–life flexibility, personal fulfilment, and pursuing a social mission — as equally valid entrepreneurial rewards alongside profit.

VN GIẢI THÍCH TIẾNG VIỆT

Khởi nghiệp luôn đi kèm chi phí cơ hội (opportunity cost) — từ bỏ lương ổn định và phúc lợi để theo đuổi phần thưởng chưa chắc chắn. Rủi ro tài chính tăng thêm khi phải dùng tài sản cá nhân làm tài sản thế chấp (collateral) cho khoản vay ngân hàng. Đổi lại, khởi nghiệp thành công mang lại cả phần thưởng tài chính (lợi nhuận) lẫn phi tài chính (tự do, sự hài lòng cá nhân) — đề thi IB luôn công nhận cả hai loại phần thưởng này.

1.3.5 Protecting business ideas: intellectual property

An innovative product, brand or process has commercial value partly because competitors cannot simply copy it — this protection is provided by **intellectual property (IP)** law. A **patent** protects a genuinely new invention or process, giving the owner the exclusive right to use or license it for a fixed period. A **trademark** protects a distinctive brand name, logo or slogan from imitation. **Copyright** automatically protects original creative works (text, music, software code) from being copied without permission. Registering and enforcing IP protection is itself costly and time-consuming, which is one reason many small entrepreneurs under-protect valuable ideas relative to large firms with dedicated legal resources.

VN GIẢI THÍCH TIẾNG VIỆT

Sở hữu trí tuệ (intellectual property) bảo vệ giá trị thương mại của ý tưởng sáng tạo: bằng sáng chế (patent) bảo vệ phát minh/quy trình mới; nhãn hiệu (trademark) bảo vệ tên thương hiệu/logo; bản quyền (copyright) tự động bảo vệ tác phẩm sáng tạo gốc (văn bản, âm nhạc, mã phần mềm). Đăng ký và bảo vệ quyền sở hữu trí tuệ tốn kém và mất thời gian — đây là lý do nhiều doanh nghiệp nhỏ bảo vệ ý tưởng của mình kém hơn các tập đoàn lớn có nguồn lực pháp lý riêng.

1.4 Business objectives

1.4.1 Mission, vision, aims and objectives

A **mission statement** defines why a business exists — its core purpose, values and the way it intends to create value for customers and society. A **vision statement** describes the business's long-term aspiration: what it hopes to become in the future. Together these are translated downward into a hierarchy of increasingly concrete targets: broad **aims** (general goals, e.g. "become the region's most trusted logistics provider"), then **corporate objectives** — specific, quantified, whole-organisation targets (e.g. "increase market share to 25% within three years") — which cascade into **functional objectives** for HR, finance, marketing and operations, and finally into individual or team **targets**.

Khái niệm cốt lõi

Good objectives are **SMART**: **S**pecific (precisely defined, not vague), **M**easurable (quantified, so achievement can be verified with data), **A**chievable (realistic given the resources and constraints the business faces), **R**elevant (aligned with the overall mission and strategy), **T**ime-bound (has a clear deadline that creates accountability).

VN **GIẢI THÍCH TIẾNG VIỆT**

Sứ mệnh (mission) trả lời "vì sao doanh nghiệp tồn tại"; tầm nhìn (vision) là khát vọng dài hạn. Cả hai được cụ thể hoá thành mục tiêu tổng quát (aims), rồi mục tiêu cấp công ty (corporate objectives) và mục tiêu cấp chức năng (functional objectives) cho từng phòng ban. Mục tiêu tốt phải đạt chuẩn SMART: cụ thể (Specific), đo lường được (Measurable), khả thi (Achievable), phù hợp (Relevant) và có thời hạn (Time-bound).

1.4.2 SMART objectives

Worked example: Writing a SMART objective

A restaurant chain's vague aim is "we want to reduce food waste." Rewrite this as a SMART objective, and justify the rewrite using at least three SMART criteria.

Model SMART objective: "Reduce food waste per meal served by 30% within 12 months by introducing portion-tracking software across all 40 outlets."

This is *Specific* (names an exact metric — food waste per meal served — rather than the vague idea of "reducing waste"), *Measurable* (a precise 30% reduction can be tracked using the new software's data), *Time-bound* (the 12-month deadline creates a clear review point and accountability), and — assuming the software is affordable and 40 outlets can realistically be equipped within a year — *Achievable* and *Relevant* to the underlying sustainability aim.

1.4.3 CSR, ethics and the triple bottom line

Common strategic objectives pursued by real businesses include **profit maximisation** (producing at the output where the gap between total revenue and total cost is largest), **growth** (increasing sales, market share or the asset base), **survival** (a short-term priority during a recession or crisis, when simply continuing to trade outranks profit), **market share**, **shareholder value**, and, increasingly, explicit **ethical objectives** and **corporate social responsibility (CSR)**.

Corporate social responsibility (CSR) is a business's voluntary commitment to operate ethically and to improve the well-being of its stakeholders and the environment, *beyond* the minimum standard required by law. This differs from mere **legal compliance** (following the law simply because it is compulsory, with no additional voluntary commitment) and from **ethical objectives** more broadly, which refer to the specific moral principles that guide a firm's decisions (for example, refusing to use child labour, or paying all suppliers a guaranteed minimum "fair trade" price). The **triple bottom line** reframes business success around three dimensions rather than profit alone: *people* (social impact on employees, customers and communities), *planet* (environmental impact) and *profit* (financial performance).

VN GIẢI THÍCH TIẾNG VIỆT

CSR (trách nhiệm xã hội doanh nghiệp) là cam kết tự nguyện của doanh nghiệp nhằm hoạt động có đạo đức và cải thiện phúc lợi cho các bên liên quan cũng như môi trường, vượt trên mức tối thiểu luật yêu cầu — khác với việc chỉ tuân thủ pháp luật (legal compliance). Triple bottom line (mô hình ba đường đáy) đánh giá thành công doanh nghiệp qua ba khía cạnh: con người (people), hành tinh (planet) và lợi nhuận (profit) — thay vì chỉ nhìn vào lợi nhuận tài chính.

(!) Lỗi thường gặp: Do not treat CSR as identical to "being a social enterprise." A conventional profit-maximising PLC can and often does adopt genuine CSR initiatives (e.g. carbon-reduction targets, ethical sourcing policies) while its *primary* objective remains shareholder returns. A social enterprise, by contrast, places social/environmental impact at the centre of its core mission, not as an addition to a profit-first objective.

1.4.4 From corporate objectives to functional objectives

A single corporate objective cascades into distinct, specific targets for each functional area, all aligned with — and contributing to — the overall corporate goal.

Example: the corporate objective "increase market share from 18% to 24% within two years" might cascade into: a **marketing** objective (increase brand awareness among the target demographic from 40% to 60% within 12 months); an **operations** objective (increase production capacity by 30% within 18 months to meet the higher expected demand); an **HR** objective (recruit and train 50 additional production staff within 12 months); and a **finance** objective (secure $2 million in additional working-capital financing within 6 months to fund the expansion).

VN GIẢI THÍCH TIẾNG VIỆT

Một mục tiêu cấp công ty được cụ thể hoá thành mục tiêu riêng cho từng phòng ban, tất cả đều hướng tới mục tiêu chung. Ví dụ: mục tiêu công ty "tăng thị phần từ 18% lên 24% trong 2 năm" có thể chia thành mục tiêu marketing (tăng nhận diện thương hiệu), mục tiêu vận hành (tăng công suất sản xuất), mục tiêu nhân sự (tuyển thêm nhân công) và mục tiêu tài chính (huy động thêm vốn lưu động) — tất cả phối hợp với nhau.

1.4.5 Profit versus profitability

Profit is an absolute money amount: total revenue minus total costs over a period. **Profitability** measures profit *relative* to the resources used to generate it — commonly expressed as a profit margin (profit as a percentage of revenue) or a return on capital employed (profit as a percentage of capital invested). A larger business can report a much higher absolute profit than a smaller rival while actually being *less* profitable, if it needed proportionally far more revenue, assets or capital to generate that profit.

(!) Lỗi thường gặp: Do not treat "higher profit" and "more profitable" as automatically the same thing. A firm earning $500,000 profit from $10 million revenue (a 5% profit margin) is *less* profitable than a smaller rival earning $200,000 profit from $2 million revenue (a 10% profit margin), even though its absolute profit is much larger.

VN **GIẢI THÍCH TIẾNG VIỆT**

Lợi nhuận (profit) là số tiền tuyệt đối (doanh thu trừ chi phí). Khả năng sinh lời (profitability) đo lợi nhuận *tương đối* so với nguồn lực đã dùng để tạo ra nó (ví dụ biên lợi nhuận, hoặc tỷ suất sinh lời trên vốn). Một doanh nghiệp có lợi nhuận tuyệt đối cao hơn vẫn có thể kém sinh lời hơn nếu cần nhiều doanh thu/vốn hơn nhiều để đạt được mức lợi nhuận đó.

1.5 External environment analysis

1.5.1 STEEPLE analysis

Businesses operate inside a wider external environment that they cannot directly control but must continuously monitor and respond to. **STEEPLE analysis** is a systematic framework for scanning seven categories of external influence:

Social	Technological	Economic	Environmental
demographics, lifestyle trends	automation, e-commerce, AI	interest rates, the trade cycle	climate change, resource scarcity

Political	Legal	Ethical
government stability, tax	employment & competition law	fair trade, honest marketing

Figure 1.1 — The seven STEEPLE categories of the external business environment.

Social — demographic change, lifestyle trends, shifting consumer attitudes and tastes. **T**echnological — automation, e-commerce, artificial intelligence, digital disruption of existing business models.
Economic — interest rates, inflation, exchange rates, the business (trade) cycle, unemployment, income levels. **E**nvironmental — climate change, resource scarcity, sustainability pressure from consumers and regulators.
Political — government stability, trade policy, taxation, subsidies, international relations. **L**egal — employment law, consumer-protection law, competition law, health and safety regulation.
Ethical — expectations of fair trade, sustainable sourcing, honest marketing and fair treatment of all stakeholders.

VN **GIẢI THÍCH TIẾNG VIỆT**

STEEPLE quét bảy nhóm yếu tố bên ngoài mà doanh nghiệp không kiểm soát được nhưng phải liên tục theo dõi và thích ứng: Xã hội (Social), Công nghệ (Technological), Kinh tế (Economic), Môi trường (Environmental), Chính trị (Political), Pháp luật (Legal) và Đạo đức (Ethical). Đây là bước đầu tiên trước khi xác định Cơ hội (Opportunities) và Nguy cơ (Threats) trong phân tích SWOT.

Worked example: Applying STEEPLE to a scenario

An online clothing retailer observes three developments: (1) a growing share of customers under 25 refusing to buy from brands without a visible sustainability commitment; (2) a new national law requiring all packaging to be fully recyclable by 2027; (3) the central bank sharply raising interest rates, increasing the cost of the loan the retailer needs for a warehouse expansion. Identify the STEEPLE category (or categories) each development represents.

(1) **Social and Ethical** — a shift in consumer attitudes (social) combined with a values-based expectation of ethical conduct.
(2) **Environmental and Legal** — a sustainability-driven concern formalised into binding regulation.
(3) **Economic** — a change in the macroeconomic interest-rate environment directly affecting the cost of finance.

1.5.2 SWOT analysis

SWOT analysis links a business's internal position with the external environment identified through STEEPLE. Internal factors — **S**trengths and **W**eaknesses — are within the business's own control (its brand, staff, technology, finances); external factors — **O**pportunities and **T**hreats — arise from the environment beyond its control and are often identified directly from a STEEPLE scan. Effective SWOT analysis is specific to the business in question and prioritised by importance, not a generic checklist, and should lead directly to a strategic recommendation — most commonly, using a particular strength to exploit a particular opportunity.

Helpful	Harmful
Strengths Internal, helpful e.g. strong brand, skilled staff	**Weaknesses** Internal, harmful e.g. high debt, old technology
Opportunities External, helpful e.g. new market, tax incentive	**Threats** External, harmful e.g. new rival, rising rates

Figure 1.2 — The SWOT framework: internal Strengths/Weaknesses paired with external Opportunities/Threats.

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SWOT kết hợp yếu tố nội bộ (Điểm mạnh – Strengths, Điểm yếu – Weaknesses, trong tầm kiểm soát) với yếu tố bên ngoài (Cơ hội – Opportunities, Nguy cơ – Threats, thường xác định qua STEEPLE) để đưa ra khuyến nghị chiến lược cụ thể — phổ biến nhất là dùng điểm mạnh để nắm bắt cơ hội. SWOT hiệu quả phải cụ thể theo từng doanh nghiệp, có ưu tiên rõ ràng, không phải danh sách chung chung.

Worked example: Full SWOT analysis — Northlake Bicycles

Northlake Bicycles is a mid-sized domestic bicycle manufacturer that has recently begun producing electric bikes (e-bikes). Conduct a SWOT analysis and give one strategic recommendation.

Strengths: a well-known, trusted domestic brand built over 30 years; an experienced in-house engineering and R&D team capable of developing new e-bike models quickly.

Weaknesses: heavy reliance on a single overseas supplier for lithium battery cells; limited retail presence outside its home country.

Opportunities: rapidly rising consumer demand for e-bikes; a new government subsidy scheme for cycling infrastructure and low-emission transport.

Threats: an aggressive new low-cost e-bike competitor entering the domestic market; rising global lithium prices increasing battery costs.

Strategic recommendation: Northlake should use its *strength* (in-house engineering capability) to exploit the *opportunity* (the government subsidy and rising e-bike demand) by developing a new, locally-engineered e-bike model marketed on quality and trusted domestic heritage rather than price — this simultaneously reduces exposure to the low-cost rival (a price-based *threat*) and creates an incentive to diversify battery sourcing beyond the single overseas supplier, addressing the identified *weakness*.

1.5.3 Limitations of STEEPLE analysis

STEEPLE is a useful checklist, but it has real limitations that IB exam answers are expected to acknowledge. Categories frequently **overlap** (a new environmental law is simultaneously Environmental, Legal and Political), so a rigid single-category classification can obscure rather than clarify the real issue. STEEPLE also identifies *what* external factors exist but says nothing about their **relative importance, timing, or magnitude** — a full analysis still requires business judgement about which factors matter most, and by when. Finally, STEEPLE describes the environment at a single point in time; in reality, external factors interact and evolve continuously.

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STEEPLE hữu ích nhưng có giới hạn: các nhóm yếu tố thường chồng lấn nhau (một luật môi trường mới vừa là Environmental vừa là Legal/Political); STEEPLE không tự nói lên yếu tố nào quan trọng nhất, xảy ra khi nào, hay tác động mạnh đến đâu — vẫn cần đánh giá của nhà quản lý. STEEPLE cũng chỉ mô tả một thời điểm, trong khi thực tế các yếu tố bên ngoài liên tục thay đổi và tương tác với nhau.

1.5.4 Limitations of SWOT analysis

SWOT analysis is equally easy to apply superficially. A common weakness in student (and real corporate) SWOT analyses is producing a long, generic list of factors without any **prioritisation** — not every strength or threat matters equally, and a good SWOT should rank factors by their likely impact. SWOT is also inherently **subjective**: whether a factor counts as a strength or a weakness can depend on perspective (a small firm's "limited product range" might be reframed as a focused, specialist strength). Finally, SWOT — like STEEPLE — is a **static snapshot**; it must be revisited regularly as the business and its environment change, and it only adds real value if it leads to a specific strategic recommendation rather than remaining a list.

(!) Lỗi thường gặp: A SWOT or STEEPLE answer that only lists factors, with no ranking and no resulting recommendation, will rarely earn full marks on an IB exam. Always finish by explicitly linking a specific strength to a specific opportunity (or explaining how a weakness leaves the business exposed to a specific threat).

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SWOT dễ bị làm hời hợt: liệt kê chung chung mà không xếp hạng mức độ quan trọng; mang tính chủ quan (một đặc điểm có thể vừa là điểm mạnh vừa là điểm yếu tuỳ góc nhìn); và chỉ là bức ảnh chụp tại một thời điểm, cần cập nhật thường xuyên. SWOT chỉ thực sự có giá trị khi dẫn tới khuyến nghị chiến lược cụ thể, không chỉ là một danh sách.

1.6 Stakeholders

1.6.1 Internal and external stakeholders

A **stakeholder** is any individual or group with an interest in, or affected by, the activities and decisions of a business. **Internal stakeholders** work inside the organisation — owners/shareholders, managers and employees. **External stakeholders** are affected by the business from outside it — customers, suppliers, government, the local community, pressure groups, creditors and trade unions. This is distinct from the narrower term **shareholder**, who is strictly an owner of shares: every shareholder is a stakeholder, but the great majority of stakeholders are not shareholders.

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Stakeholder là bất kỳ cá nhân/nhóm nào có lợi ích liên quan đến hoạt động của doanh nghiệp. Stakeholder nội bộ (chủ sở hữu, quản lý, nhân viên) làm việc bên trong tổ chức; stakeholder bên ngoài (khách hàng, nhà cung cấp, chính phủ, cộng đồng, nhóm áp lực, chủ nợ, công đoàn) bị ảnh hưởng từ bên ngoài. Shareholder (cổ đông) chỉ là một loại stakeholder cụ thể — mọi cổ đông đều là stakeholder, nhưng phần lớn stakeholder không phải cổ đông.

1.6.2 Stakeholder conflict

Stakeholder interests frequently **conflict**, and managers must constantly balance competing claims rather than satisfy every group fully. Typical conflicts include: shareholders wanting higher dividends while employees want higher wages (both compete for the same pool of profit); a local community opposing a factory's night-shift expansion (noise, traffic, disrupted sleep) that customers welcome (more available stock, potentially lower prices); and suppliers wanting prompt payment while the finance department wants to delay payment to preserve the firm's own cash position.

(!) Lỗi thường gặp: When asked to "identify a stakeholder conflict," a common error is naming only *one* stakeholder group and its objective. A conflict requires *two* groups whose objectives cannot both be fully satisfied at once — always name both sides and explain precisely why their interests clash.

1.6.3 The power–interest matrix

Because a business cannot devote equal management attention to every stakeholder, the **power–interest matrix** classifies stakeholders along two dimensions — how much *power* they hold over the business, and how much *interest* they have in its activities — to decide how each group should be engaged.

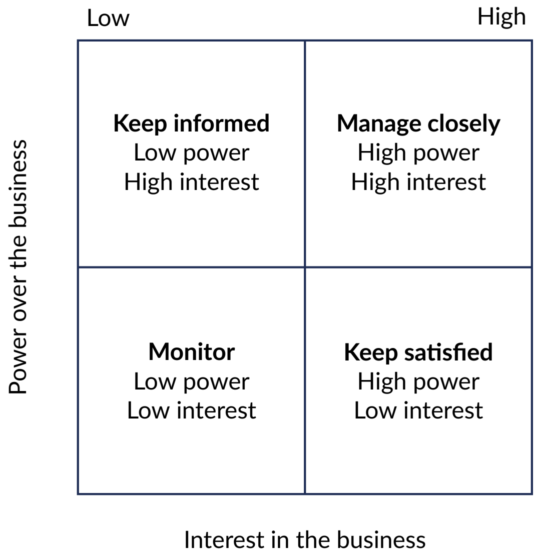

Figure 1.3 — A power–interest matrix used to analyse and prioritise stakeholder engagement.

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Ma trận quyền lực–lợi ích (power–interest matrix) giúp nhà quản lý quyết định nên "quản lý sát sao" (high power, high interest), "giữ hài lòng" (high power, low interest), "thông báo thường xuyên" (low power, high interest) hay chỉ "theo dõi" (low power, low interest) từng nhóm stakeholder. Vị trí của một stakeholder trên ma trận có thể thay đổi theo tình huống cụ thể (ví dụ một cổ đông nhỏ thường có quyền lực thấp, nhưng có thể tăng vọt nếu họ liên minh với các cổ đông khác).

Worked example: Classifying stakeholders on the power–interest matrix

A mining company is proposing to expand an open-pit mine. Classify each stakeholder below onto the power–interest matrix, with a one-line justification: (1) a local environmental NGO; (2) the national government's mining regulator; (3) a small local hardware supplier; (4) a large institutional shareholder that rarely votes at meetings.

(1) **Keep informed** (low power, high interest) — the NGO cannot block the expansion directly, but has a strong interest and can influence public opinion and media coverage.
(2) **Manage closely** (high power, high interest) — the regulator can approve, delay or reject the expansion permit and has a direct policy interest in the outcome.
(3) **Monitor** (low power, low interest) — a small supplier has little influence over the decision and only a modest stake in its outcome.
(4) **Keep satisfied** (high power, low interest) — a large shareholder holds significant voting power (and could intervene if unhappy) but currently shows little active interest, so should be kept satisfied with clear, concise updates rather than detailed engagement.

1.6.4 Stakeholder theory versus shareholder theory

A long-running theoretical debate in business management concerns *whose* interests a business should ultimately prioritise. **Shareholder theory**, most closely associated with the economist Milton Friedman, argues that a business's only real social responsibility is to increase profit for its shareholders within the law and without deception — on this view, resources spent satisfying other stakeholders beyond what the law requires are, in effect, resources diverted from the owners who bore the financial risk of the business. **Stakeholder theory**, associated with R. Edward Freeman, argues instead that a business has genuine obligations to *all* groups affected by its activities — employees, customers, suppliers, the community and the environment, not shareholders alone — and that balancing these interests is both ethically right and, in the long run, better for the business's own sustainability and reputation.

> Neither view is simply "correct": shareholder theory highlights the real risk that vague, unmeasurable "stakeholder obligations" can be used to excuse poor financial management, while stakeholder theory highlights the real risk that a pure profit focus can severely damage employees, communities or the environment in ways that eventually harm the business itself (reputational damage, regulatory backlash, loss of staff morale). Modern CSR and triple-bottom-line thinking largely represent an attempt to reconcile the two.

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Friedman (shareholder theory) cho rằng trách nhiệm xã hội duy nhất của doanh nghiệp là tối đa hoá lợi nhuận cho cổ đông trong khuôn khổ pháp luật. Freeman (stakeholder theory) cho rằng doanh nghiệp có nghĩa vụ thực sự với *tất cả* các bên liên quan, không chỉ cổ đông. Không quan điểm nào hoàn toàn "đúng" — tư duy CSR và triple bottom line hiện đại phần lớn là nỗ lực dung hoà cả hai.

1.6.5 Corporate governance and stakeholder communication

Corporate governance refers to the system of rules, practices and processes by which a company is directed and controlled — including the composition and accountability of the board of directors, the rights of shareholders, and the transparency of financial reporting. Strong governance (an independent board, clear separation between the roles of chief executive and board chair, transparent reporting) helps protect *all* stakeholders, not only shareholders, by reducing the risk of fraud, poor decision-making, or management acting purely in its own short-term interest.

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Quản trị doanh nghiệp (corporate governance) là hệ thống quy tắc, quy trình để điều hành và kiểm soát công ty — gồm cơ cấu hội đồng quản trị, quyền của cổ đông và tính minh bạch báo cáo tài chính. Quản trị tốt (hội đồng độc lập, tách bạch vai trò CEO và chủ tịch hội đồng, báo cáo minh bạch) bảo vệ tất cả các bên liên quan, không chỉ cổ đông, bằng cách giảm rủi ro gian lận hoặc ra quyết định kém.

1.7 Growth and evolution of business

1.7.1 Why and how businesses grow

Business size can be measured in several ways — number of employees, sales revenue, capital employed, market capitalisation, or market share — and no single measure is perfect: a firm can be "large" by one measure (e.g. market capitalisation) yet "small" by another (e.g. employee count, if it is highly automated). Businesses pursue growth for many reasons: to exploit **economies of scale** and lower unit costs, to increase market power and pricing influence, to spread risk across more products or markets, to satisfy shareholder or manager ambitions, or simply to survive competitive pressure from larger rivals gaining scale advantages of their own.

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Quy mô doanh nghiệp có thể đo bằng số lao động, doanh thu, vốn sử dụng, giá trị vốn hoá thị trường hoặc thị phần — không có thước đo nào hoàn hảo. Doanh nghiệp tăng trưởng để tận dụng lợi thế kinh tế theo quy mô (economies of scale), tăng sức mạnh thị trường, phân tán rủi ro, hoặc đơn giản là để tồn tại trước áp lực cạnh tranh từ đối thủ lớn hơn.

1.7.2 Organic versus external growth

Khái niệm cốt lõi

Organic (internal) growth comes from reinvesting the business's own retained profit to expand existing operations — opening new outlets, launching new products, or entering new markets using existing resources and expertise. It is typically *slower* but *lower-risk*: it keeps full control with existing owners and avoids the difficulty of merging different corporate cultures and systems.

External growth is achieved by combining with another business — through merger, acquisition, franchising, a joint venture or a strategic alliance. It is typically *faster* but carries *higher risk*: it usually requires significant new borrowing (raising financial risk) and creates integration challenges (clashing cultures, redundant roles, incompatible IT systems) that can destroy value rather than create it if managed poorly.

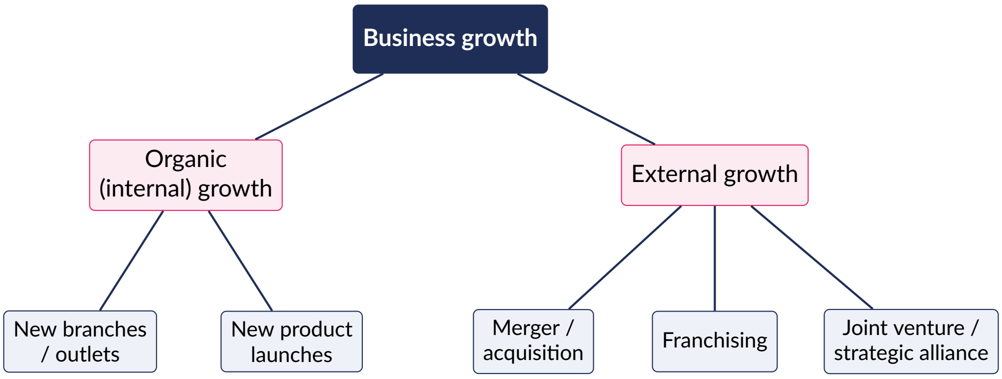

Figure 1.4 — Methods of business growth: organic (internal) growth versus external growth through merger/acquisition, franchising, or joint venture/strategic alliance.

	Speed	Risk	Control
Organic growth	Slower — limited to reinvested profit	Lower — no new debt, no culture clash	Full control retained by existing owners
External growth	Faster — immediate step-change in scale	Higher — new debt, integration/culture risk	Diluted — new partners/shareholders involved

Table 1.2 — Organic versus external growth compared across speed, risk and control.

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Tăng trưởng nội sinh (organic growth) đến từ tái đầu tư lợi nhuận giữ lại — chậm hơn nhưng ít rủi ro hơn, giữ toàn quyền kiểm soát. Tăng trưởng ngoại sinh (external growth) qua sáp nhập/mua lại, nhượng quyền, liên doanh hoặc liên minh chiến lược — nhanh hơn nhưng rủi ro cao hơn do phải vay nợ nhiều và tích hợp văn hoá/hệ thống khác biệt.

1.7.3 Mergers, acquisitions, joint ventures and alliances

External growth via merger or acquisition (M&A) can take several distinct forms, each with different strategic logic:

- **Horizontal integration** — combining with a firm at the *same* stage of the *same* industry (e.g. two supermarket chains merging). Increases market share and combined bargaining power, and can create economies of scale.
- **Vertical integration (backward)** — combining with a supplier, a firm *earlier* in the same supply chain (e.g. a bakery acquiring its flour mill). Secures reliable input supply and can cut costs by removing the supplier's profit margin.

- **Vertical integration (forward)** — combining with a distributor or retailer, a firm *later* in the same supply chain (e.g. a manufacturer acquiring a retail chain). Gains direct control over how the product reaches the final customer.
- **Conglomerate merger** — combining with a firm in a wholly *unrelated* industry. Diversifies risk across unrelated revenue streams but offers few operational synergies.
- **Joint ventures** — two (or more) firms create a jointly-owned new entity to share resources, cost and risk on a specific project or market entry, without either firm losing its separate identity.
- **Strategic alliances** — an even looser form of cooperation than a joint venture, in which firms agree to collaborate (e.g. shared technology, shared distribution) without creating any jointly-owned entity, retaining maximum flexibility to exit.

Type	Combines with	Typical motive
Horizontal	A direct rival, same stage, same industry	Market share, economies of scale
Vertical (backward)	A supplier, earlier in the supply chain	Secure input supply, cut costs
Vertical (forward)	A distributor/retailer, later in the supply chain	Control route to the final customer
Conglomerate	An unrelated industry	Diversify risk
Joint venture	A separate firm, new jointly-owned entity	Share cost/risk on one project
Strategic alliance	A separate firm, no joint entity created	Flexible collaboration, easy exit

Table 1.3 — Types of business integration and typical motives.

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Bốn loại sáp nhập/mua lại chính: sáp nhập ngang (horizontal — cùng ngành, cùng công đoạn, ví dụ hai chuỗi siêu thị); sáp nhập dọc ngược (vertical backward — với nhà cung cấp); sáp nhập dọc xuôi (vertical forward — với nhà phân phối/bán lẻ); và sáp nhập tập đoàn đa ngành (conglomerate — ngành không liên quan, chủ yếu để đa dạng hoá rủi ro). Liên doanh (joint venture) tạo ra một pháp nhân mới dùng chung; liên minh chiến lược (strategic alliance) hợp tác lỏng lẻo hơn, không lập pháp nhân chung, dễ rút lui hơn.

1.7.4 The Ansoff Matrix

Growth strategies can also be classified by the **product** and **market** risk they involve, using the **Ansoff Matrix**:

	Existing product	New product
Existing market	**Market Penetration** Existing product Existing market	**Product Development** New product Existing market
New market	**Market Development** Existing product New market	**Diversification** New product New market (highest risk)

Figure 1.5 — The Ansoff Matrix: growth strategies ranked from lowest risk (top-left) to highest risk (bottom-right).

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Ma trận Ansoff phân loại chiến lược tăng trưởng theo rủi ro sản phẩm và thị trường: thâm nhập thị trường (market penetration — sản phẩm cũ, thị trường cũ, rủi ro thấp nhất); phát triển thị trường (market development — sản phẩm cũ, thị trường mới); phát triển sản phẩm (product development — sản phẩm mới, thị trường cũ); và đa dạng hoá (diversification — sản phẩm mới, thị trường mới, rủi ro cao nhất vì doanh nghiệp thiếu kinh nghiệm ở cả hai chiều).

Worked example: Classifying strategies on the Ansoff Matrix

A national bookstore chain takes four separate actions. Classify each on the Ansoff Matrix: (1) runs a loyalty-discount campaign in its existing stores to encourage existing customers to buy more; (2) opens its first stores in a neighbouring country, selling its existing range of books unchanged; (3) launches a new e-book and audiobook subscription service, sold only to its existing customer base; (4) opens an unrelated chain of coffee shops in that same new overseas country.

(1) **Market penetration** — existing product, existing market, aiming to sell more to the same customers.
(2) **Market development** — existing product (its book range), new market (a new country).
(3) **Product development** — new product (e-books/audiobooks), existing market (its current customers).
(4) **Diversification** — new product (coffee shops, an unrelated business) in a new market (the new country) — the highest-risk quadrant, since the firm has no established expertise in either the product or the market.

1.7.5 Measuring the size and growth of a business

Because no single measure of size is perfect (Section 1.7.1), analysts typically combine **quantitative indicators** — sales revenue, number of employees, total assets, market capitalisation, market share — with **qualitative indicators** — brand recognition, customer loyalty, breadth of product range, and perceived market influence. **Small and medium-sized enterprises (SMEs)**, usually defined by national statistical agencies using employee-count or revenue thresholds, make up the great majority of registered businesses in most economies and are frequently the largest source of new job creation, even though large firms typically generate a disproportionate share of total output.

> Growth itself can be measured in absolute terms (e.g. an extra $2 million in revenue) or in percentage terms (e.g. 15% revenue growth) — percentage measures are usually more useful for comparing firms of very different sizes, since an identical absolute increase represents a far more significant achievement for a small firm than for a large one.

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Không có thước đo quy mô nào hoàn hảo — thường kết hợp chỉ số định lượng (doanh thu, số lao động, tổng tài sản, vốn hoá thị trường, thị phần) với chỉ số định tính (độ nhận diện thương hiệu, lòng trung thành khách hàng). Doanh nghiệp vừa và nhỏ (SME) chiếm đa số doanh nghiệp đăng ký và là nguồn tạo việc làm lớn, dù doanh nghiệp lớn thường chiếm tỷ trọng sản lượng cao hơn. Tăng trưởng nên đo bằng % để so sánh công bằng giữa các doanh nghiệp khác quy mô.

Worked example: Capacity utilisation

A factory has a maximum possible output of 20,000 units per month, and currently produces 15,000 units per month. Calculate its capacity utilisation rate.

$$\text{Capacity utilisation} = \frac{\text{Actual output}}{\text{Maximum possible output}} \times 100 = \frac{15{,}000}{20{,}000} \times 100 = \boxed{75\%}$$

A utilisation rate below 100% indicates spare capacity: the factory could increase output by up to a further 5,000 units per month (to reach full capacity) without any new capital investment in machinery or buildings — a relevant consideration before a firm decides whether growth requires new investment or can simply use existing spare capacity more fully.

1.7.6 Government policy, regulation and competition law

Government policy directly shapes both the incentive and the ability of firms to grow. **Subsidies and tax incentives** can encourage investment and expansion in favoured industries or regions; **deregulation** can lower the cost of entering a market or expanding within it. Conversely, **competition law** (also called antitrust law) exists specifically to *limit* growth through horizontal integration where it would excessively concentrate market power: regulators can block, or require modifications to, a proposed merger between direct rivals if it is judged likely to substantially reduce competition and harm consumers through higher prices or reduced choice.

(!) Lỗi thường gặp: Do not assume mergers are always approved automatically. A horizontal merger between two very large rivals in a concentrated industry is precisely the type of deal competition regulators scrutinise most closely, and may require the merged firm to sell off parts of the combined business before approval is granted.

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Chính sách chính phủ ảnh hưởng trực tiếp đến động lực và khả năng tăng trưởng của doanh nghiệp: trợ cấp/ưu đãi thuế khuyến khích đầu tư; bãi bỏ quy định (deregulation) giảm chi phí gia nhập/mở rộng thị trường. Ngược lại, luật cạnh tranh (competition law/antitrust) tồn tại để hạn chế tăng trưởng qua sáp nhập ngang khi nó tập trung quá nhiều quyền lực thị trường — cơ quan quản lý có thể chặn hoặc yêu cầu điều chỉnh thương vụ nếu xét thấy gây hại cho người tiêu dùng.

1.7.7 Economies and diseconomies of scale

As a firm grows, it may benefit from **economies of scale** — a fall in **average (unit) cost** as output rises:

$$\text{Average cost (AC)} = \frac{\text{Total cost (TC)}}{\text{Output (Q)}}$$

Sources of economies of scale: **purchasing economies** (bulk-buying discounts on raw materials), **technical economies** (spreading the cost of expensive machinery over more units; greater specialisation of labour and capital), **financial economies** (larger firms can typically borrow at lower interest rates, being seen as lower-risk), **managerial economies** (large firms can afford specialist, expert managers in each function) and **risk-bearing economies** (a wider portfolio of products/markets spreads commercial risk).

Beyond an **optimal output**, however, a firm can experience **diseconomies of scale**: average cost *rises* again as the firm grows past the point its management structure can efficiently coordinate.

Common causes include communication breakdowns across a larger, more dispersed organisation, lower staff morale and motivation as management becomes more remote, slower decision-making through added layers of hierarchy, and duplicated effort or conflicting priorities between poorly-coordinated divisions.

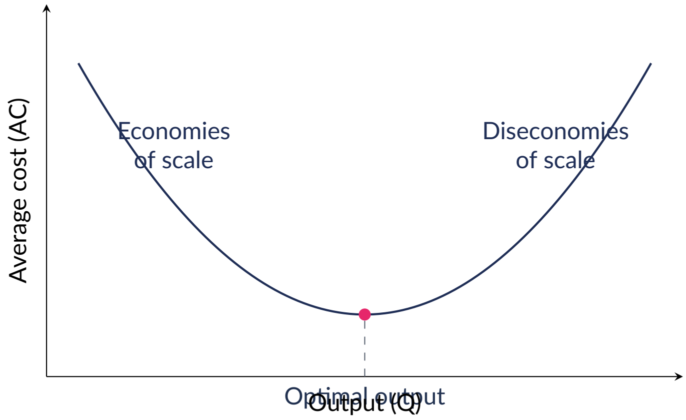

Figure 1.6 — The long-run average cost (LRAC) curve: AC falls as economies of scale are exploited, reaches a minimum at the optimal output, then rises again as diseconomies of scale set in.

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Economies of scale (lợi thế kinh tế theo quy mô) làm chi phí bình quân (AC) giảm khi sản lượng tăng, nhờ lợi thế mua hàng, kỹ thuật, tài chính, quản lý và phân tán rủi ro. Vượt quá quy mô tối ưu (optimal output), doanh nghiệp gặp diseconomies of scale — AC tăng trở lại do vấn đề giao tiếp, tinh thần làm việc giảm, ra quyết định chậm và trùng lặp công việc. Đường LRAC (long-run average cost) có hình chữ U thể hiện đúng quy luật này.

Worked example: Economies of scale

A firm's total cost of producing 8,000 units is $320,000. After expanding to 20,000 units, total cost rises to $620,000.

$$AC_{8,000} = \frac{320,000}{8,000} = \$40 \qquad AC_{20,000} = \frac{620,000}{20,000} = \boxed{\$31}$$

Average cost **fell** from $40 to $31 per unit as output rose from 8,000 to 20,000 units — the firm is experiencing **economies of scale**, most plausibly through purchasing economies (bulk-buying raw materials) and technical economies (spreading fixed machinery costs over a larger output).

Worked example: Diseconomies of scale

A different firm's total cost of producing 25,000 units is $625,000. After a rapid expansion to 60,000 units across three newly-opened, geographically dispersed factories, total cost rises to $2,160,000.

$$AC_{25,000} = \frac{625,000}{25,000} = \$25 \qquad AC_{60,000} = \frac{2,160,000}{60,000} = \boxed{\$36}$$

Average cost **rose** from $25 to $36 per unit despite output more than doubling — the firm has moved past its optimal scale into **diseconomies of scale**, most likely because coordinating production, quality control and logistics across three new, dispersed sites has proved far more difficult (and costly) than management anticipated.

Worked example: Percentage growth calculation

A retailer's annual revenue rises from $4.5 million to $5.4 million over one year. Calculate the percentage growth in revenue.

$$\%\ \text{growth} = \frac{5.4 - 4.5}{4.5} \times 100 = \frac{0.9}{4.5} \times 100 = \boxed{20\%}$$

A 20% year-on-year revenue increase is a substantial rate of growth; a full evaluation would also compare it against the growth rate of the overall market to determine whether the retailer is gaining or losing **market share**, not simply growing in absolute terms.

1.7.8 Problems of rapid growth, retrenchment and de-mergers

Growth is not always beneficial, and growing *too quickly* is itself a leading cause of business failure (Section 1.3.2). Rapid expansion can outstrip a firm's cash reserves (a fast-growing firm can run out of cash even while profitable, a problem known as **overtrading**), overload its management team and IT systems, dilute quality control, and strain its supply chain beyond what suppliers can reliably fulfil.

In response to over-expansion, poor trading conditions, or a change in strategic focus, a business may deliberately **retrench** — shrink its operations by closing loss-making outlets, selling off underperforming divisions, or reducing headcount — as a survival strategy. A **de-merger** is a more formal version of retrenchment: splitting a business into two or more independent companies, often because a conglomerate's divisions have little in common and investors believe the separate parts would be worth more (and be managed more effectively) than the combined whole — reversing an earlier merger or diversification decision.

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Tăng trưởng quá nhanh có thể gây "overtrading" — doanh nghiệp hết tiền mặt dù vẫn có lãi, do dòng tiền không theo kịp tốc độ mở rộng. Retrenchment (thu hẹp quy mô) là chiến lược sinh tồn: đóng cửa chi nhánh thua lỗ, bán bớt mảng kinh doanh kém hiệu quả, hoặc cắt giảm nhân sự. De-merger (chia tách doanh nghiệp) là hình thức thu hẹp chính thức hơn — tách một tập đoàn thành các công ty độc lập khi các mảng kinh doanh không còn liên quan hoặc hiệp lực với nhau.

1.8 Multinational companies (MNCs) [HL only]

1.8.1 Why firms become multinational

[HL] A **multinational company (MNC)** owns or controls production or service operations in two or more countries, typically coordinated from a home-country head office. Firms expand internationally for three broad motives:

Market-seeking — accessing new customers and revenue streams, especially once the home market is saturated or growing slowly.

Resource-seeking — accessing cheaper raw materials, labour, or resources that are scarce or expensive at home.

Efficiency-seeking — exploiting economies of scale, lower production or logistics costs, favourable exchange rates, or advantageous trade agreements by locating stages of production optimally across borders.

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Công ty đa quốc gia (MNC) mở rộng ra nước ngoài vì ba động cơ chính: tìm kiếm thị trường (market-seeking — tiếp cận khách hàng mới), tìm kiếm nguồn lực (resource-seeking — lao động/nguyên liệu rẻ hơn), và tìm kiếm hiệu quả (efficiency-seeking — tận dụng lợi thế quy mô, chi phí thấp hơn hoặc hiệp định thương mại thuận lợi).

Worked example: [HL] Identifying MNC motives

Classify the primary motive behind each decision: (1) a European car manufacturer builds an assembly plant in a country where average manufacturing wages are 70% lower; (2) a streaming service launches in a large, fast-growing population it has not previously served; (3) an electronics firm relocates its assembly plant to a country offering large government subsidies and duty-free export access to a regional trading bloc.

(1) **Resource-seeking** — the primary motive is access to significantly cheaper labour.
(2) **Market-seeking** — the primary motive is access to new customers and revenue.
(3) **Efficiency-seeking** — the primary motive is lowering costs via subsidies and favourable trade access, not access to a new customer base or a specific scarce resource.

1.8.2 Host and home country costs and benefits

[HL] MNC activity creates significant costs and benefits for both the **host country** (where the new operation is located) and the **home country** (where the MNC's headquarters remains).

Host country benefits: new jobs and skills development; tax revenue; improved infrastructure (often built partly to support the new operation); increased competition that can raise local standards; and technology/know-how spillovers to local firms and workers.

Host country risks: profit repatriation (profits generated locally flow back to the MNC's home country rather than being reinvested in the host economy); exploitation of weaker local labour or environmental regulation; "crowding out" of local competitors who cannot match the MNC's scale and purchasing power; loss of cultural distinctiveness; and reduced government bargaining power if the MNC can credibly threaten to relocate elsewhere.

Home country benefits: higher profits and dividends flowing back to head office and its shareholders; access to a larger, often cheaper, international workforce that can improve the parent firm's global competitiveness; and increased export opportunities for home-country suppliers linked into the MNC's global supply chain.

Home country risks: job losses and deindustrialisation at home as production relocates abroad; the home economy becoming more exposed to political or economic instability in the countries the MNC now depends on; and public/political criticism if the MNC is seen to be relocating jobs purely to exploit lower foreign standards.

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Nước sở tại (host country) được lợi về việc làm, chuyển giao công nghệ, thuế và hạ tầng, nhưng đối mặt rủi ro lợi nhuận bị chuyển về nước mẹ (profit repatriation), tiêu chuẩn lao động/môi trường bị khai thác, và doanh nghiệp địa phương bị "lấn át". Nước mẹ (home country) được lợi từ lợi nhuận hồi hương và khả năng cạnh tranh toàn cầu cao hơn, nhưng đối mặt rủi ro mất việc làm trong nước (deindustrialisation) và phụ thuộc nhiều hơn vào sự ổn định chính trị/kinh tế ở nước ngoài.

Worked example: [HL] Host and home country cost-benefit evaluation

A large automobile MNC headquartered in Country A opens a new vehicle assembly plant in Country B, a developing economy with significantly lower average wages. Evaluate the costs and benefits of this decision for (a) Country B (host) and (b) Country A (home).

(a) Country B (host): *Benefits* — thousands of new manufacturing jobs, transfer of modern automotive engineering skills to the local workforce, additional tax revenue, and likely government/private investment in supporting infrastructure (roads, power) near the plant. *Costs* — a significant share of the profit generated will likely be repatriated to Country A rather than reinvested locally; local component suppliers may struggle to compete with the MNC's global supply-chain partners; and if labour or environmental regulation is weaker in Country B, the MNC may adopt lower standards than it would at home.

(b) Country A (home): *Benefits* — higher group profit (via lower unit production costs) can be repatriated to head office and shareholders, and the firm's improved cost competitiveness can help it compete against international rivals. *Costs* — manufacturing jobs are lost in Country A itself (contributing to domestic deindustrialisation), and the firm becomes more exposed to political, currency and regulatory risk in Country B.

Evaluation: whether this decision is, on balance, positive depends heavily on *how* the MNC manages the relationship — for example, whether it reinvests a meaningful share of profit locally, pays fair wages relative to local living costs, and transfers genuine skills rather than only low-skill assembly work, versus purely extracting the lowest possible cost with minimal local benefit.

1.8.3 Ethical issues of globalisation

[HL] The rapid growth of MNC activity — **globalisation** — raises several recurring ethical debates that IB Business Management expects students to evaluate rather than simply describe:

- **Labour standards and "race to the bottom" concerns** — critics argue MNCs can be tempted to relocate production to countries with the weakest labour protections and lowest wages purely to cut costs, potentially normalising poor working conditions; defenders argue MNC jobs, even at lower wages than in the home country, typically pay more and offer safer conditions than the informal-sector alternatives otherwise available locally.
- **Environmental standards** — an MNC may face the temptation to exploit weaker environmental regulation abroad than it would be permitted at home, though reputational risk (bad publicity reaching global consumers via social media) increasingly constrains this behaviour.
- **Tax practices** — MNCs can legally shift profit between countries (transfer pricing) to minimise their overall tax bill, which is often lawful but raises fairness questions when host-country public services receive little tax revenue despite hosting substantial MNC activity.

A balanced evaluation typically notes that MNC investment can raise living standards and transfer valuable skills and technology to a host country, *while also* creating real risk of exploitation if the MNC is not held to meaningful standards — the outcome depends heavily on host-government regulation, MNC corporate policy (CSR), and the bargaining power each side brings to the relationship.

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Toàn cầu hoá qua hoạt động MNC đặt ra các vấn đề đạo đức: nguy cơ "chạy đua xuống đáy" (race to the bottom) về tiêu chuẩn lao động/môi trường khi doanh nghiệp chuyển sản xuất đến nơi có quy định lỏng lẻo nhất; và các thực hành thuế (chuyển giá) hợp pháp nhưng gây tranh cãi về công bằng khi nước sở tại nhận được ít nguồn thu thuế dù có hoạt động MNC lớn. Đánh giá cân bằng cần xem xét cả lợi ích (việc làm, chuyển giao công nghệ) lẫn rủi ro bị khai thác, tuỳ thuộc vào quy định của chính phủ nước sở tại và chính sách CSR của MNC.

1.8.4 Drivers of globalisation [HL only]

[HL] The scale of multinational activity described in this section has grown dramatically in recent decades, driven by several reinforcing trends: the progressive removal of trade barriers (tariffs and quotas) through international trade agreements and regional trade blocs; dramatic falls in the cost of international transport and logistics; and the transformative growth of **information and communication technology (ICT)**, which allows a head office to coordinate production, finance and communication across many countries in real time. Together these have made it progressively cheaper and easier for a firm to locate different stages of production wherever conditions are most favourable, deepening the market-seeking, resource-seeking and efficiency-seeking motives already discussed.

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[HL] Toàn cầu hoá tăng mạnh nhờ: việc dỡ bỏ dần các rào cản thương mại (thuế quan, hạn ngạch) qua các hiệp định và khối thương mại khu vực; chi phí vận tải quốc tế giảm mạnh; và sự phát triển của công nghệ thông tin liên lạc (ICT) giúp trụ sở chính điều phối sản xuất, tài chính và giao tiếp xuyên biên giới theo thời gian thực — khiến việc đặt các công đoạn sản xuất ở nơi thuận lợi nhất ngày càng rẻ và dễ dàng hơn.

1.8.5 Global, multi-domestic and transnational strategies [HL only]

[HL] MNCs must also decide *how standardised* their strategy should be across countries. A **global strategy** sells a largely standardised product with a consistent brand identity worldwide, maximising economies of scale but risking a poor fit with local tastes. A **multi-domestic strategy** adapts the product, marketing and even operations significantly to each local market, maximising local relevance but sacrificing scale efficiencies and brand consistency. A **transnational strategy** attempts to combine both: centralising some functions globally (e.g. R&D, core branding) to capture scale economies, while allowing meaningful local adaptation (e.g. product flavours, marketing messaging) elsewhere.

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[HL] Chiến lược toàn cầu (global) bán sản phẩm tiêu chuẩn hoá, tối đa hoá lợi thế quy mô nhưng có thể không phù hợp thị hiếu địa phương. Chiến lược đa nội địa (multi-domestic) điều chỉnh sâu theo từng thị trường, phù hợp địa phương hơn nhưng mất lợi thế quy mô. Chiến lược xuyên quốc gia (transnational) kết hợp cả hai — tập trung hoá một số chức năng (R&D, thương hiệu cốt lõi) trong khi vẫn cho phép điều chỉnh địa phương có ý nghĩa.

Worked example: [HL] Global versus multi-domestic strategy

Compare the strategies of two MNCs: Company A sells an almost identical burger menu with the same branding in every one of the 40 countries it operates in. Company B, a packaged-food producer, substantially reformulates its recipes, packaging and marketing in each country to match local tastes and regulations. Classify each firm's strategy.

Company A follows a **global strategy** — prioritising a standardised product and brand identity to maximise economies of scale and consistency across markets. Company B follows a **multi-domestic strategy** — prioritising local relevance and responsiveness to different national tastes and regulatory requirements over global standardisation, at the cost of some scale efficiency.

1.9 Crisis management and contingency planning [HL only]

1.9.1 Risk versus uncertainty

[HL] Effective planning requires distinguishing two very different kinds of threat a business faces:

Khái niệm cốt lõi

Risk refers to a threat whose likelihood can be estimated (often from historical data) and which can typically be insured against or planned for in advance — for example, the probability of a warehouse fire, a key supplier's late delivery, or a data breach. **Uncertainty** refers to an event whose likelihood *cannot* be meaningfully estimated in advance, often because it is unprecedented or extremely rare — for example, a sudden pandemic, an unforeseen natural disaster, or an entirely new competing technology emerging overnight. Businesses can **plan** for measurable risk; they can only try to build general **resilience** against genuine uncertainty.

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Rủi ro (risk) là mối đe doạ có thể ước tính xác suất xảy ra (thường từ dữ liệu lịch sử) và có thể mua bảo hiểm hoặc lên kế hoạch trước — ví dụ cháy kho hàng, nhà cung cấp giao trễ. Bất định (uncertainty) là sự kiện không thể ước tính xác suất một cách có ý nghĩa vì chưa từng có tiền lệ — ví dụ đại dịch bất ngờ, thiên tai chưa từng thấy. Doanh nghiệp có thể lập kế hoạch cho rủi ro đo lường được, nhưng chỉ có thể xây dựng khả năng phục hồi chung (resilience) trước sự bất định thực sự.

1.9.2 Types and sources of crisis

[HL] Crises threatening a business can arise from several distinct sources, each calling for a somewhat different response:

- **Natural disasters** — earthquakes, floods, hurricanes — that damage physical premises, disrupt supply chains, or make normal operation temporarily impossible.
- **Technological failure** — a critical IT system outage, a cyberattack, or a major production-line breakdown.
- **Human error or negligence** — a serious workplace accident, a significant quality-control failure, or a damaging error in judgement by an employee or manager.
- **Malicious action** — sabotage, a deliberate cyberattack, or product tampering by an external party.
- **Financial crisis** — a sudden liquidity shortage, a major client's insolvency, or a sharp, unexpected currency movement damaging an internationally-trading firm.

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[HL] Khủng hoảng có thể đến từ nhiều nguồn: thiên tai (động đất, lũ lụt); sự cố công nghệ (hệ thống IT ngừng hoạt động, tấn công mạng); lỗi con người (tai nạn lao động nghiêm trọng, lỗi chất lượng); hành vi phá hoại có chủ đích; hoặc khủng hoảng tài chính (thiếu thanh khoản đột ngột, biến động tỷ giá mạnh). Mỗi loại đòi hỏi phản ứng khác nhau nhưng đều cần kế hoạch dự phòng chuẩn bị trước.

Worked example: [HL] Classifying types of crisis

Classify the source of each crisis: (1) a severe earthquake destroys a firm's main distribution warehouse; (2) a software bug causes the firm's entire online ordering system to crash for three days; (3) a machine operator ignores safety procedures, causing a serious workplace injury; (4) a former employee leaks confidential client data out of revenge after being dismissed.

(1) **Natural disaster**. (2) **Technological failure**. (3) **Human error/negligence**. (4) **Malicious ac-**

tion — the leak was a deliberate, intentional act rather than an accident.

1.9.3 Contingency planning

[HL] Contingency planning is the *proactive*, advance preparation a business makes for foreseeable risks — put in place *before* anything goes wrong, precisely so the business is not starting from zero if it does. Common contingency measures include: purchasing **insurance** against fire, theft, liability claims or business interruption; maintaining **backup suppliers** so a single supplier failure does not halt production; building **IT disaster-recovery systems** (off-site data backups, redundant servers) so a system failure does not destroy critical records; holding **safety stock** of key inputs; and pre-preparing crisis-communication templates and a designated response team.

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Contingency planning (lập kế hoạch dự phòng) là sự chuẩn bị chủ động cho các rủi ro có thể lường trước, thực hiện *trước khi* sự cố xảy ra — ví dụ mua bảo hiểm, có nhà cung cấp dự phòng, xây dựng hệ thống khôi phục dữ liệu IT, dự trữ nguyên liệu an toàn, và chuẩn bị sẵn đội ngũ/thông điệp truyền thông khủng hoảng.

1.9.4 Communicating during a crisis

[HL] Different stakeholders need different crisis communication. **Employees** need clear, honest internal communication about what has happened and what is expected of them, to prevent rumour and panic. **Customers** need a clear explanation of the risk to them personally and the concrete action the business is taking. **Regulators** need full, transparent cooperation, since concealment discovered later causes far greater reputational and legal damage than prompt disclosure. **Media and the wider public** are usually best addressed through a single, consistent, pre-designated spokesperson, to avoid conflicting or contradictory statements that undermine public trust.

> The single most damaging crisis-communication error is a gap between what a business *says* and what stakeholders later discover to be true — inconsistency, evasiveness or delay routinely cause more lasting reputational harm than the original crisis event itself.

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[HL] Các bên liên quan khác nhau cần cách truyền thông khủng hoảng khác nhau: nhân viên cần thông tin nội bộ rõ ràng, trung thực; khách hàng cần biết rủi ro cụ thể và hành động khắc phục; cơ quan quản lý cần hợp tác minh bạch hoàn toàn; truyền thông/công chúng nên được xử lý qua một người phát ngôn nhất quán. Sai lầm truyền thông khủng hoảng nghiêm trọng nhất là sự không nhất quán giữa lời nói và sự thật được phát hiện sau đó.

1.9.5 Crisis management and brand reputation

[HL] Crisis management is the *reactive* process of responding once an unexpected, often severe, event has already occurred and threatens the business's normal operation, finances, or reputation. Unlike contingency planning, a crisis often cannot be fully anticipated in advance — but firms that have already invested in contingency planning are typically far better placed to respond quickly, calmly and credibly. Effective crisis management typically requires: fast, honest and transparent communication with affected stakeholders (customers, regulators, employees, media); a clear, empowered decision-making chain so the business is not paralysed while waiting for approvals; and swift corrective action (e.g. a product recall) rather than delay or denial.

Protecting brand reputation is often the single most important consideration during a crisis: how a business is seen to *respond* to a crisis — honestly and quickly, or evasively and slowly — frequently has a larger long-run impact on customer trust and future sales than the financial cost of the crisis event itself.

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Crisis management (quản trị khủng hoảng) là phản ứng *sau khi* sự cố bất ngờ đã xảy ra — cần giao tiếp nhanh, trung thực, minh bạch với các bên liên quan, có chuỗi ra quyết định rõ ràng, và hành động khắc phục kịp thời (ví dụ thu hồi sản phẩm) thay vì trì hoãn hay phủ nhận. Bảo vệ uy tín thương hiệu (brand reputation) thường quan trọng hơn cả chi phí tài chính trực tiếp của khủng hoảng, vì cách doanh nghiệp phản ứng ảnh hưởng lâu dài đến niềm tin khách hàng.

Worked example: [HL] Designing a contingency plan and managing a crisis

A food manufacturer discovers that a recent production batch may have been contaminated, and a portion of that batch has already been shipped to retailers nationwide. (a) Identify two contingency-planning measures the firm should already have had in place *before* this happened. (b) Outline the immediate crisis-management response now required.

(a) Contingency planning (should already exist): (1) *Batch/lot traceability systems* — coding every production batch so that, if contamination is discovered, the firm can immediately identify exactly which shipments and retailers are affected, rather than recalling its entire product range. (2) *Product-recall insurance and a pre-agreed recall protocol* — a rehearsed, pre-approved plan (including pre-drafted public-communication templates and a designated crisis team) so the firm does not have to design its response from scratch under time pressure.

(b) Crisis management (immediate response now): issue an immediate, clear public recall notice naming the specific affected batch codes; cooperate fully and transparently with the food-safety regulator; contact affected retailers directly to pull the product from shelves; and communicate honestly with customers about the risk and the steps being taken — prioritising customer safety and transparency over minimising short-term bad publicity, since a slow or evasive response would cause far greater long-run damage to brand reputation than the direct cost of the recall itself.

1.10 Practice problems

Bài tập luyện tập

A bakery buys ingredients costing \$3.20 per cake and sells each finished cake for \$11.20. (a) Calculate the added value per cake. (b) State one limitation of added value as a measure of the bakery's overall profitability.

Lời giải chi tiết

(a) Added value $= 11.20 - 3.20 = \boxed{\$8.00 \text{ per cake}}$.

(b) Added value is calculated *before* labour costs, rent, energy and other overheads are deducted. A cake can have a healthy \$8.00 of added value per unit and the bakery can still make an overall loss if these further costs are too high relative to sales volume — added value is not the same as profit.

Bài tập luyện tập

Which economic sector does a data-analytics consultancy that develops proprietary machine-learning models for corporate clients belong to?

(A) Primary

(B) Secondary

(C) Tertiary

(D) Quaternary

Lời giải chi tiết

Developing proprietary algorithms and models is knowledge-based, high-technology research and information-services activity — distinct from routine service provision (tertiary) such as retail or basic consulting. **(D)**.

Bài tập luyện tập

A single owner runs a plumbing business with no other partners and no incorporation. A customer successfully sues the business for a large compensation claim that the business's own assets cannot fully cover. Which statement is correct?

(A) Only the business's own assets are at risk, because of limited liability

(B) The owner's personal assets can be seized, because of unlimited liability

(C) The owner cannot be held personally liable under any circumstances

(D) Liability is automatically shared equally among all of the owner's customers

Lời giải chi tiết

A sole trader is not incorporated and is not a separate legal entity from its owner, so the owner has **unlimited liability**: personal assets beyond the business itself can be pursued to cover the shortfall. **(B)**.

Bài tập luyện tập

A private limited company (Ltd) specialty coffee roaster is considering converting to a public limited company (PLC) via a stock market listing to fund a major international expansion. State **two** likely benefits and **one** likely drawback of this conversion.

Lời giải chi tiết

Benefits: (1) Access to a much larger pool of capital through a public share sale, funding faster international expansion than retained profit or bank borrowing alone could support. (2) A higher public profile and credibility from a stock-exchange listing, which can help attract new customers, suppliers, and higher-calibre employees.

Drawback: the founders lose a significant degree of control as thousands of new public shareholders gain voting rights, the company becomes vulnerable to a hostile takeover, and it must meet much stricter financial disclosure and corporate-governance regulation than as a private company.

Bài tập luyện tập

An agricultural cooperative owned by 200 fruit farmers distributes profit based on the volume of fruit each farmer supplies, and major decisions are voted on by members rather than by a board appointed by outside shareholders. Explain **one** way this ownership structure differs from a PLC.

Lời giải chi tiết

In a PLC, control and profit distribution are based on **shares owned** — an investor with more capital typically holds proportionally more voting power and dividend entitlement, and need not be involved in day-to-day operations at all. In the **cooperative**, control is **democratic** (often "one member, one vote" regardless of the size of an individual's contribution), and members are simultaneously the business's own *suppliers*, directly aligning ownership with operational participation rather than pure capital investment.

Bài tập luyện tập

Explain **one** advantage and **one** disadvantage of opening a franchised outlet rather than an entirely independent, unbranded business, from the perspective of the franchisee.

Lời giải chi tiết

Advantage: the franchisee gains an already-proven business model — established brand recognition, tested products and processes, supplier relationships, and often training and marketing support — significantly reducing the risk of business failure compared with building a completely unknown brand from scratch.

Disadvantage: the franchisee must pay an initial franchise fee and ongoing royalties (typically a percentage of sales) regardless of how profitable the outlet is, and must operate within the franchisor's rules on products, pricing, layout and service standards — sacrificing the full independence an unbranded business owner would retain.

Bài tập luyện tập

An employee at a large technology company develops a new internal product line using company resources, and is given a dedicated budget and significant autonomy to test it, without leaving to start her own independent firm. She is best described as:

(A) An entrepreneur

(B) An intrapreneur

(C) A sole trader

(D) A franchisee

Lời giải chi tiết

She shows entrepreneurial behaviour (spotting an opportunity, innovating, accepting risk) but does so *inside* an existing organisation using its resources, rather than founding an independent business of her own — the defining feature of an **intrapreneur**. **(B)**.

Bài tập luyện tập

A new restaurant closes after eight months of trading, despite receiving consistently positive reviews from the great majority of customers who visited. Suggest **two** possible reasons, other than poor product quality, why the business may have failed.

Lời giải chi tiết

(1) **Poor cash-flow management** — the restaurant may have been profitable on individual meals sold, yet still run out of cash to pay rent, staff or suppliers, for example due to high upfront fit-out costs or slow-paying corporate account customers. (2) **Under-capitalisation or inadequate market research** — the restaurant may simply not have had enough footfall or start-up capital to survive the normal, often lengthy period before word-of-mouth and repeat custom build a reliably profitable customer base, even though those who did visit were satisfied.

Bài tập luyện tập

Identify **three** sections that should appear in a complete business plan, and explain **one** reason a bank might refuse a loan application despite a genuinely strong product idea.

Lời giải chi tiết

Three sections (any three): an executive summary; a description of the product/service and target market; a marketing plan (pricing, promotion, distribution); an operations plan; an HR/staffing plan; detailed financial forecasts (cash-flow forecast, break-even analysis, projected profit and loss).

Reason for refusal: the financial forecasts may show that projected cash flow is insufficient to reliably cover loan repayments in the early months of trading, or the entrepreneur may lack relevant experience or sufficient collateral/personal investment — a bank assesses the *financial* viability and risk of the whole plan, not merely whether the underlying product idea is appealing.

Bài tập luyện tập

Which statement best distinguishes a vision statement from a mission statement?

(A) A vision statement is always SMART, while a mission statement never is

(B) A mission statement describes long-term aspiration, while a vision statement describes daily operations

(C) A mission statement explains why the business exists now, while a vision statement describes its long-term future aspiration

(D) There is no meaningful difference between the two terms

Lời giải chi tiết

A mission statement is about present purpose (”why we exist”); a vision statement is about a future aspiration (”what we want to become”). Neither needs to be quantified or time-bound in the way a SMART objective must be. **(C)**.

Bài tập luyện tập

A gym chain’s current aim is ”we want more members.” Rewrite this as a SMART objective for the gym, and justify your rewrite using **two** SMART criteria.

Lời giải chi tiết

Model SMART objective: "Increase active membership from 1,200 to 1,500 within 9 months by launching a member-referral discount programme."

Justification: (1) *Specific and Measurable* — a precise numerical target (1,200 → 1,500 members) replaces the vague phrase "more members," allowing progress to be tracked against real membership data. (2) *Time-bound* — the 9-month deadline creates a clear review point and accountability, rather than an open-ended, low-urgency ambition.

Bài tập luyện tập

A clothing manufacturer pays all factory workers above the legally required minimum wage and funds a free adult-literacy programme for its employees, even though neither action is required by law. This is best described as:

(A) Legal compliance
(B) Corporate social responsibility (CSR)
(C) A SMART objective
(D) Market penetration

Lời giải chi tiết

Because both actions go voluntarily *beyond* the legal minimum to improve stakeholder well-being, this is **corporate social responsibility (CSR)**, not mere legal compliance (which would only describe following compulsory minimum standards). **(B)**.

Bài tập luyện tập

Explain how the **triple bottom line** differs from a traditional focus on profit maximisation as a business objective.

Lời giải chi tiết

Profit maximisation judges business success by a single financial measure. The triple bottom line adds **people** (social impact on employees, customers and communities) and **planet** (environmental impact) as dimensions tracked *alongside* profit, rather than treating financial return as the only measure of success — under the triple bottom line, a firm that accepts a slightly lower profit in exchange for strong social and environmental outcomes can still be considered a successful business.

Bài tập luyện tập

A government introduces a new law requiring all packaged food products to display calorie counts clearly on the front of the packaging. Which STEEPLE category does this development best represent?

(A) Social
(B) Legal
(C) Technological
(D) Environmental

Lời giải chi tiết

A binding new government regulation is, by definition, a change in the **Legal** environment — even though the underlying motivation may relate to social health trends, the development itself takes the form of compulsory legislation. **(B)**.

Bài tập luyện tập

A regional hotel chain has a strong local reputation for personalised service and owns several prime beachfront locations (its main strengths), but has outdated in-room technology and a limited online booking presence (its main weaknesses). Rising domestic tourism demand and new government tourism-development grants are creating opportunities, while international hotel chains with modern digital booking platforms are entering the region as a threat. Recommend **one** strategic action linking a strength to an opportunity, and **one** action addressing a weakness in light of the threat.

Lời giải chi tiết

Strength–opportunity link: use the chain's *strength* (prime beachfront locations and a reputation for personalised service) to exploit the *opportunity* (rising domestic tourism demand and available government grants) by using grant funding to refurbish beachfront properties and market authentic, personally-tailored stays specifically to the growing domestic tourist segment.

Weakness–threat response: invest in a modern online booking platform and updated in-room technology to close the *weakness* that would otherwise leave the chain most exposed to the *threat* of tech-savvy international rivals capturing digitally-oriented customers.

Bài tập luyện tập

A minor local hardware supplier has little influence over a large national retailer's strategic decisions, and only a modest financial stake in the outcome of those decisions. According to the power–interest matrix, this stakeholder should be:

(A) Managed closely

(B) Kept satisfied

(C) Kept informed

(D) Monitored with minimal effort

Lời giải chi tiết

Low power combined with low interest places this stakeholder in the bottom-left quadrant of the matrix: **"monitor."** The business should track this stakeholder's position with minimal ongoing effort, since neither its influence nor its stake in the outcome currently justifies intensive engagement — though its classification should be reviewed if circumstances change (for example, if the supplier's contract becomes strategically critical). **(D)**.

Bài tập luyện tập

A factory proposes extending its operating hours into a night shift to meet a large new export order. (a) Identify **two** stakeholder groups whose interests are likely to conflict as a result. (b) Explain the nature of the conflict between them.

Lời giải chi tiết

(a) Shareholders/managers versus **local residents**; alternatively, **employees** versus **managers**.

(b) Shareholders and managers want the night shift approved because it allows the profitable export order to be fulfilled and can raise output without new capital investment; but **local residents** (an external stakeholder) may strongly oppose the change because of night-time noise and traffic disrupting sleep and quality of life near the factory. Similarly, **employees** may resent the disruption a night shift causes to family and social life unless adequately compensated with a shift premium, while **managers** need the extra output to meet the new production target — in each case, one group's operational or financial gain comes directly at the expense of another group's welfare.

Bài tập luyện tập

A firm's total cost of producing 4,000 units is \$180,000. After expanding to 10,000 units, total cost rises to \$350,000. (a) Calculate the average cost at both output levels. (b) State, with a reason, whether the firm is experiencing economies of scale.

Lời giải chi tiết

(a)

$$AC_{4,000} = \frac{180{,}000}{4{,}000} = \$45 \qquad AC_{10,000} = \frac{350{,}000}{10{,}000} = \boxed{\$35}$$

(b) Average cost **fell** from \$45 to \$35 per unit as output more than doubled, so the firm **is experiencing economies of scale** — most likely purchasing economies (bulk discounts on raw materials) and/or technical economies (spreading the cost of machinery over a larger number of units).

Bài tập luyện tập

A manufacturer's total cost is \$1,320,000 at an output of 30,000 units. After a rapid expansion to 50,000 units across several newly-opened sites, total cost rises to \$2,300,000. (a) Calculate the average cost at both output levels. (b) Explain **two** likely causes of this outcome.

Lời giải chi tiết

(a)

$$AC_{30,000} = \frac{1{,}320{,}000}{30{,}000} = \$44 \qquad AC_{50,000} = \frac{2{,}300{,}000}{50{,}000} = \boxed{\$46}$$

(b) This is **diseconomies of scale**: average cost rose (\$44 → \$46) despite higher output. *Two likely causes:* (1) *Communication/coordination problems* across newly-opened, dispersed sites, increasing waste, errors and duplicated effort. (2) *Managerial diseconomies* — the existing management team is stretched too thin to closely supervise every new site, reducing efficiency and staff motivation through weaker, more remote oversight.

Bài tập luyện tập

A company's annual revenue rises from \$3.2 million to \$3.68 million over one year. Calculate the percentage growth in revenue, and explain **one** further piece of information needed to judge whether this represents strong performance.

Lời giải chi tiết

$$\%\text{ growth} = \frac{3.68 - 3.2}{3.2} \times 100 = \frac{0.48}{3.2} \times 100 = \boxed{15\%}$$

A 15% revenue increase looks strong in isolation, but to judge whether it represents genuinely strong performance, it should be compared against the **growth rate of the overall market** (or of key competitors) over the same period — 15% growth in a market growing at 25% would actually represent a *loss* of market share, while 15% growth in a market growing at only 4% would represent a substantial *gain* in market share.

Bài tập luyện tập

A firm is choosing between two potential export markets, scoring each out of 10 on three criteria (a higher score is always more favourable), weighted by importance: market size (weight 50%), cost-competitiveness (weight 30%), and political stability (weight 20%). Market A scores 8 (size), 6 (cost), 9 (stability); Market B scores 6 (size), 9 (cost), 7 (stability). Calculate the weighted score for each market and recommend which to enter.

Lời giải chi tiết

$$\text{Market A} = (8\times 0.5) + (6\times 0.3) + (9\times 0.2) = 4.0 + 1.8 + 1.8 = \boxed{7.6}$$

$$\text{Market B} = (6\times 0.5) + (9\times 0.3) + (7\times 0.2) = 3.0 + 2.7 + 1.4 = \boxed{7.1}$$

Market A has the higher weighted score (7.6 versus 7.1) and should be recommended, driven mainly by its much larger market size (weighted most heavily at 50%) more than compensating for its weaker cost-competitiveness score relative to Market B.

Bài tập luyện tập

A firm's total cost is \$300,000 at 5,000 units, \$630,000 at 15,000 units, and \$1,250,000 at 25,000 units of output. (a) Calculate the average cost at each output level. (b) Identify the optimal output level and explain what happens to average cost beyond it.

Lời giải chi tiết

(a)

$$AC_{5{,}000} = \frac{300{,}000}{5{,}000} = \$60 \qquad AC_{15{,}000} = \frac{630{,}000}{15{,}000} = \$42 \qquad AC_{25{,}000} = \frac{1{,}250{,}000}{25{,}000} = \$50$$

(b) Average cost falls from \$60 to \$42 as output rises from 5,000 to 15,000 units (economies of scale), reaching its minimum at **15,000 units — the optimal output**. Beyond this point, average cost **rises** again, from \$42 to \$50 as output reaches 25,000 units, indicating the firm has moved into the **diseconomies of scale** region of its long-run average cost curve.

Bài tập luyện tập

A soft-drinks company launches a completely new range of flavoured sparkling water, selling it only through its existing retail customer base. This is an example of:

(A) Market penetration
(B) Market development
(C) Product development
(D) Diversification

Lời giải chi tiết

A new product (flavoured sparkling water) sold into an existing market (its current retail customer base) is **product development** on the Ansoff Matrix. (Diversification would require both a new product *and* a new market.) **(C)**.

Bài tập luyện tập

A national supermarket chain acquires the regional trucking and logistics company that had previously been its main contracted delivery provider. (a) Identify the type of integration. (b) Explain **one** benefit and **one** risk of this strategy.

Lời giải chi tiết

(a) This is **vertical (backward) integration** — the supermarket has acquired a firm supplying an input service (logistics/delivery) earlier in its own supply chain.

(b) Benefit: the supermarket gains direct control over delivery scheduling and cost, and removes the previous contractor's profit margin, potentially reducing distribution costs and improving reliability. **Risk:** the supermarket now carries the operational risk and capital cost of running a large vehicle fleet — a business outside its core retail expertise — and loses the benefit of competitive tension between multiple logistics providers that previously helped keep delivery costs low.

Bài tập luyện tập

A furniture retailer is choosing between (i) opening ten new stores funded entirely from retained profit over five years, or (ii) acquiring a similarly-sized rival chain immediately, funded by a large bank loan. Compare these two growth strategies in terms of **speed** and **risk**.

Lời giải chi tiết

Speed: organic growth (option i) is **slower** — expansion is limited to the profit generated each year, spread across five years. The acquisition (option ii) delivers an immediate doubling of scale, market share and store network in a single transaction.

Risk: organic growth is **lower-risk** — it uses the firm's own retained funds (no new debt or interest obligation), keeps full managerial control, and avoids the challenge of integrating a rival's culture, staff and systems. The acquisition is **higher-risk** — it takes on substantial debt (raising financial risk through fixed interest obligations regardless of trading performance) and carries integration risk (clashing cultures, redundant roles, incompatible IT/operational systems) that can destroy value rather than create it if poorly managed.

Bài tập luyện tập

[HL] A soft-drinks MNC relocates part of its bottling operations to a country offering significant tax incentives and low import tariffs on packaging materials under a regional trade agreement, though wages in that country are similar to its existing sites. Identify the primary motive for this decision.

(A) Market-seeking
(B) Resource-seeking
(C) Efficiency-seeking
(D) Risk-bearing

Lời giải chi tiết

Since wages are similar to existing sites (ruling out resource-seeking) and the decision is not about reaching new customers, the driving motive is minimising costs and maximising after-tax profit through favourable tax treatment and trade terms — this is **efficiency-seeking**. **(C)**.

Bài tập luyện tập

[HL] State **two** potential benefits and **two** potential risks for a host country when a large multinational company opens a new manufacturing plant there.

Lời giải chi tiết

Benefits: (1) job creation and skills/technology transfer to the local workforce; (2) increased tax revenue and potential infrastructure investment (roads, utilities, housing) to support the new plant and its workforce.

Risks: (1) **profit repatriation** — a large share of the profit generated may leave the local economy rather than being reinvested locally; (2) **crowding out** of smaller local competitors who cannot match the MNC's economies of scale and purchasing power, potentially reducing local market diversity and the government's future bargaining power over the MNC (which could threaten to relocate if regulation tightens).

Bài tập luyện tập

[HL] Explain **one** argument for, and **one** argument against, the claim that MNC manufacturing investment in developing countries is, overall, beneficial for those countries.

Lời giải chi tiết

For: MNC investment typically creates jobs that pay more and offer safer working conditions than the informal-sector alternatives otherwise available locally, while transferring valuable technology, management practice and skills that can raise the host economy's long-run productivity.

Against: MNCs can be tempted to exploit weaker local labour and environmental regulation than they would be permitted to use at home, and a significant share of the profit generated is often repatriated to the MNC's home country rather than reinvested locally — meaning the host country may bear most of the environmental and social cost while capturing only a limited share of the long-run financial benefit.

Bài tập luyện tập

[HL] A logistics firm can estimate, from ten years of maintenance records, the probability that a given delivery van will need unscheduled repairs in any given month. This threat is best described as:

(A) Risk
(B) Uncertainty
(C) A crisis
(D) A contingency plan

Lời giải chi tiết

Because the likelihood can be estimated from historical data and planned/insured for in advance (e.g. maintenance budgeting, spare-vehicle provision), this is a measurable **risk**, not genuine uncertainty (which cannot be meaningfully estimated at all). **(A)**.

Bài tập luyện tập

[HL] An airline discovers a newly-identified mechanical fault that could require several aircraft in its fleet to be grounded for inspection with little warning. Design **two** contingency-planning measures the airline should have in place before such an event occurs.

Lời giải chi tiết

(1) **Backup capacity arrangements** — pre-negotiated leasing agreements or codeshare/interline agreements with partner airlines, allowing passengers on cancelled flights to be quickly rebooked onto alternative aircraft or partner flights rather than simply stranded. (2) **Insurance and a pre-approved communication protocol** — business-interruption insurance covering lost revenue from grounded aircraft, combined with a rehearsed, pre-drafted customer-communication and rebooking plan, so the airline can respond within hours rather than having to design its crisis response from scratch under time pressure and reputational risk.

Ôn tập nhanh — Chương 1: Added value = giá bán − chi phí mua vào (không phải lợi nhuận). Trách nhiệm hữu hạn chỉ áp dụng cho Ltd/PLC. Stakeholder khác shareholder. SWOT phải liên kết với STEEPLE và dẫn tới khuyến nghị cụ thể. Economies of scale = AC giảm khi Q tăng; diseconomies = AC tăng trở lại sau điểm tối ưu. Bốn loại sáp nhập: horizontal, vertical (forward/backward), conglomerate. MNC (HL): market/resource/efficiency-seeking; host chịu rủi ro profit repatriation và crowding out. Contingency planning (chủ động, trước sự cố) khác crisis management (phản ứng, sau sự cố) — cả hai đều nhằm bảo vệ uy tín thương hiệu.

Bài tập luyện tập

Explain **one** way automation might increase a manufacturing firm's productivity, and **one** new type of role automation is likely to create rather than eliminate.

Lời giải chi tiết

Automated assembly equipment can work continuously at a consistent speed and quality without fatigue, raising output per worker and reducing unit labour cost. Rather than simply eliminating jobs, automation typically creates new demand for **technicians and engineers** who programme, monitor and maintain the automated equipment — a higher-skilled role than the routine manual task it replaces.

Bài tập luyện tập

A business exports its products to customers in several countries but does not own or operate any production or retail facilities abroad. This business is best classified as:

(A) A local business

(B) A national business

(C) An international business

(D) A multinational company (MNC)

Lời giải chi tiết

Trading across borders without owning or controlling operations abroad is the defining feature of an **international business**, distinct from a full multinational company, which owns/controls operations in two or more countries. **(C)**.

Bài tập luyện tập

State **two** legal steps or documents required to convert a partnership into a private limited company.

Lời giải chi tiết

(1) Registering the new company with the relevant national companies' registrar. (2) Drafting the **memorandum and articles of association** (defining the company's purpose, share structure and governance rules), appointing at least one director, and issuing shares to the founders.

Bài tập luyện tập

Explain **one** reason a fast-growing technology start-up might choose to incorporate as a private limited company from its very first day of trading, rather than starting as a partnership.

Lời giải chi tiết

Incorporating immediately offers future investors (angel investors, venture capital funds) a formal shareholding and limited-liability protection from the outset, and protects the founders' personal assets given the unusually high financial risk and leverage typical of a fast-growing, capital-intensive start-up.

Bài tập luyện tập

Which of the following is a **non-financial** reward commonly associated with entrepreneurship?

(A) A guaranteed monthly salary

(B) Personal autonomy and flexibility

(C) Unlimited personal liability

(D) A fixed employer pension contribution

Lời giải chi tiết

Guaranteed salary, unlimited liability and a fixed pension are either financial/contractual features of *employment*, or a risk (not a reward). **Personal autonomy and flexibility** — the freedom to make one's own decisions and set one's own working life — is the classic non-financial reward of entrepreneurship. **(B)**.

Bài tập luyện tập

A cosmetics start-up has developed a genuinely new manufacturing process and a distinctive brand logo. (a) Identify which form of intellectual property protection is appropriate for each. (b) Explain **one** reason enforcing this protection can be difficult for a small firm.

Lời giải chi tiết

(a) The new manufacturing process should be protected by a **patent**; the distinctive brand logo should be protected by a **trademark**.

(b) Registering and legally enforcing IP protection (for example, pursuing an infringement case in court) is costly and time-consuming, and a small firm typically lacks the dedicated legal resources that a larger competitor could use to defend its rights even after registration.

Bài tập luyện tập

A furniture company's corporate strategy requires operations to increase production capacity by 20%. Current capacity is 50,000 units per year. Calculate the required new capacity.

Lời giải chi tiết

$$50{,}000 \times 1.20 = \boxed{60{,}000 \text{ units per year}}$$

This is an example of a corporate objective cascading into a specific, quantified **operations** (functional) objective.

Bài tập luyện tập

Company X earns $500,000 profit from $10,000,000 revenue. Company Y earns $200,000 profit from $2,000,000 revenue. Calculate the profit margin for each company and state which is more **profitable**.

Lời giải chi tiết

$$\text{Margin}_X = \frac{500{,}000}{10{,}000{,}000} \times 100 = 5\% \qquad \text{Margin}_Y = \frac{200{,}000}{2{,}000{,}000} \times 100 = \boxed{10\%}$$

Company Y has the higher profit margin (10% versus 5%) and is therefore **more profitable**, even though Company X's absolute profit ($500,000) is larger than Company Y's ($200,000).

Bài tập luyện tập

Explain **one** reason STEEPLE analysis alone is insufficient for making a strategic decision.

Lời giải chi tiết

STEEPLE identifies *what* external factors exist but says nothing about their relative importance, timing or magnitude — managers must still apply judgement to decide which factor(s) matter most and how urgently to respond. (A second valid answer: categories frequently overlap, e.g. a new environmental law is simultaneously Environmental, Legal and Political, making rigid single-category classification of limited use on its own.)

Bài tập luyện tập

Explain **one** weakness of a SWOT analysis that simply lists eight factors without further comment.

Lời giải chi tiết

Without prioritisation and without linking the factors into a specific strategic recommendation (such as using a named strength to exploit a named opportunity), a long, unranked list provides little actionable guidance — not every factor matters equally, and a SWOT analysis only adds real value once it leads somewhere concrete.

Bài tập luyện tập

Which of the following best represents Milton Friedman's **shareholder theory** view of business responsibility?

(A) A business must prioritise employees over shareholders

(B) A business's only responsibility is to increase profit for shareholders within the law

(C) A business should treat every stakeholder group exactly equally

(D) A business has no responsibility to its shareholders

Lời giải chi tiết

Friedman's shareholder theory argues a business's sole social responsibility is to increase profit for its owners within the law and without deception — resources spent satisfying other stakeholders beyond legal requirements are, on this view, a diversion of resources from the shareholders who bore the financial risk. **(B)**.

Bài tập luyện tập

Explain **one** way strong corporate governance (for example, an independent board of directors) can protect stakeholders **other than** shareholders.

Lời giải chi tiết

Independent board oversight reduces the risk that management pursues purely short-term profit at the expense of employees, customers or the environment (for example, cutting corners on safety, quality or fair treatment of staff), and reduces the risk of fraud or poor decision-making that could damage the wider community of stakeholders, not shareholders alone.

Bài tập luyện tập

Explain **one** reason percentage growth is usually a more useful comparison than absolute growth when comparing a small firm to a much larger firm.

Lời giải chi tiết

An identical absolute increase (for example, an extra $1 million in revenue) represents a far more significant proportional achievement for a small firm than for a large one; percentage growth adjusts for this difference in starting size, allowing a fair like-for-like comparison between firms of very different scale.

Bài tập luyện tập

A competition regulator blocks a proposed merger between the two largest supermarket chains in a country, citing the risk of higher prices and reduced choice for consumers. This is an example of:

(A) A government subsidy

(B) Deregulation

(C) Competition (antitrust) law

(D) A regional trade agreement

Lời giải chi tiết

Blocking a merger specifically to prevent excessive market concentration and protect consumers from higher prices/reduced choice is the defining role of **competition (antitrust) law**. **(C)**.

Bài tập luyện tập

[HL] State **two** factors that have made it progressively easier for firms to become multinational over recent decades.

Lời giải chi tiết

(1) The removal of trade barriers (tariffs and quotas) through international trade agreements and regional trade blocs. (2) Falling international transport and logistics costs, alongside the growth of information and communication technology (ICT), which allows a head office to coordinate production, finance and communication across many countries in real time.

Bài tập luyện tập

[HL] A fast-food MNC sells a broadly standardised menu with consistent branding in almost every country it operates in, prioritising cost efficiency over local adaptation. This best represents a:

(A) Multi-domestic strategy

(B) Global strategy

(C) Transnational strategy

(D) Joint venture

Lời giải chi tiết

Selling a largely standardised product with consistent branding worldwide, maximising economies of scale over local adaptation, is the definition of a **global strategy**. **(B)**.

Bài tập luyện tập

[HL] A company's warehouse is deliberately set on fire by a disgruntled former employee. Identify the type/source of crisis this represents.

Lời giải chi tiết

This is a crisis caused by **malicious action** (deliberate sabotage) — distinct from a natural disaster, a technological failure, or ordinary human error/negligence, since the harm was intentional.

Bài tập luyện tập

[HL] Explain **one** reason a business should use a single, pre-designated spokesperson when communicating with the media during a crisis.

Lời giải chi tiết

A single, consistent spokesperson prevents conflicting or contradictory statements being given to the media by different staff members, which would undermine public trust and could deepen reputational damage — consistency and clarity in what is said matter as much as the underlying content of the message itself.

Bài tập luyện tập

A toy manufacturer buys plastic and components costing \$4.50 per toy and sells each finished toy for \$13.50. (a) Calculate the added value per toy. (b) State whether this figure alone tells us the manufacturer is profitable.

Lời giải chi tiết

(a)

$$13.50 - 4.50 = \boxed{\$9.00 \text{ per toy}}$$

(b) No — added value is calculated *before* labour, overheads and marketing costs are deducted, so the manufacturer could still make an overall loss if these further costs are too high relative to sales volume.

Bài tập luyện tập

A firm's total cost is \$96,000 at 3,000 units and \$156,000 at 6,000 units. Calculate the average cost at each output level and state whether economies of scale are present.

Lời giải chi tiết

$$AC_{3,000} = \frac{96,000}{3,000} = \$32 \qquad AC_{6,000} = \frac{156,000}{6,000} = \boxed{\$26}$$

Average cost fell from \$32 to \$26 as output doubled, so the firm **is experiencing economies of scale**.

Bài tập luyện tập

A firm's total cost is \$1,000,000 at 40,000 units and \$1,890,000 at 70,000 units. Calculate the average cost at each output level and state whether diseconomies of scale are present.

Lời giải chi tiết

$$AC_{40,000} = \frac{1,000,000}{40,000} = \$25 \qquad AC_{70,000} = \frac{1,890,000}{70,000} = \boxed{\$27}$$

Average cost rose from \$25 to \$27 despite higher output, so the firm **is experiencing diseconomies of scale**.

Bài tập luyện tập

A firm's employee count grows from 250 to 310 over two years. Calculate the percentage growth in headcount.

Lời giải chi tiết

$$\frac{310 - 250}{250} \times 100 = \frac{60}{250} \times 100 = \boxed{24\%}$$

The workforce grew by 24% over the two-year period.

Bài tập luyện tập

Which economic sector does a solar-panel installation and maintenance service belong to?

(A) Primary
(B) Secondary
(C) Tertiary
(D) Quaternary

Lời giải chi tiết

Installing and maintaining panels manufactured by someone else is a **service** provided directly to customers, not the extraction of raw materials or the manufacturing of the panels themselves. **(C)**.

Bài tập luyện tập

A shareholder in a public limited company (PLC) invested $5,000 in shares. The company later collapses, owing $2 million to creditors. How much of this $2 million can creditors legally claim from the shareholder's **personal assets**, beyond the $5,000 already invested?

(A) $2,000,000
(B) $1,000,000
(C) $5,000
(D) $0 (nothing beyond the $5,000 already lost)

Lời giải chi tiết

Because a PLC shareholder has **limited liability**, their maximum possible loss is capped at the amount already invested ($5,000, already lost). Creditors cannot pursue the shareholder's other personal assets for any part of the remaining shortfall. **(D)**.

Bài tập luyện tập

Which of the following is the **least** SMART objective?

(A) "Increase online sales by 15% within 6 months"
(B) "Reduce customer complaints from 200 to 120 per month within a year"
(C) "Become a better company"
(D) "Cut average delivery time from 4 days to 2 days within 9 months"

Lời giải chi tiết

"Become a better company" is not Specific, not Measurable, and not Time-bound — it gives no quantified metric and no deadline, unlike the other three options, which each name a precise number and a clear timeframe. **(C)**.

Bài tập luyện tập

Explain the difference between an action taken purely for **legal compliance** and an action taken as part of genuine **CSR**, using an example.

Lời giải chi tiết

Legal compliance means doing only what the law strictly requires — for example, paying the legally mandated minimum wage because it is compulsory. Genuine CSR means voluntarily going *beyond* that legal minimum to benefit stakeholders or the environment — for example, paying above the minimum wage and funding an employee welfare or education programme, without being legally required to do so.

Bài tập luyện tập

A central bank raises interest rates sharply in order to control inflation. Which STEEPLE category does this development best represent?

(A) Social
(B) Economic
(C) Environmental
(D) Ethical

Lời giải chi tiết

Interest rates are a core macroeconomic policy tool, placing this squarely in the **Economic** category of STEEPLE. **(B)**.

Bài tập luyện tập

A regional airline has strong government relationships and a modern aircraft fleet (its main strengths), but high debt and limited international routes (its main weaknesses). A neighbouring country is opening its airspace to new routes (an opportunity), while a global airline alliance is expanding into the region (a threat). Recommend **one** strategic action linking a strength to the opportunity.

Lời giải chi tiết

The airline should use its *strength* (strong government relationships) to exploit the *opportunity* (the newly opened airspace) by negotiating priority landing rights and route allocations before the expanding global alliance can establish a foothold, using its modern fleet to launch new routes quickly and pre-emptively.

Bài tập luyện tập

A national government regulator has the power to approve or block a proposed factory expansion, and has a strong policy interest in the resulting local employment outcomes. According to the power–interest matrix, this stakeholder should be:

(A) Monitored
(B) Kept satisfied
(C) Kept informed
(D) Managed closely

Lời giải chi tiết

High power (can approve/block the decision) combined with high interest (a direct policy stake in the outcome) places this stakeholder in the **"manage closely"** quadrant. **(D)**.

Bài tập luyện tập

A clothing retailer that has only ever sold online opens a chain of physical stores in its home country, selling the same existing clothing range to the same domestic customers. This is best classified as:

(A) Market penetration
(B) Market development
(C) Product development
(D) Diversification

Lời giải chi tiết

The product (existing clothing range) and the underlying market (existing domestic customers) are both unchanged — only the distribution channel is new. Since the Ansoff Matrix classifies strategies by product and market risk rather than by distribution channel, this is best treated as **market penetration**: intensifying sales effort within an existing market. **(A)**.

Bài tập luyện tập

A budget airline acquires a direct rival budget airline operating in the same country on similar routes. (a) Identify the type of integration. (b) State **one** competition-policy concern regulators might raise.

Lời giải chi tiết

(a) This is **horizontal integration** — same industry, same stage of production, direct rivals.

(b) Regulators may be concerned that reduced competition on shared routes could lead to higher fares and reduced consumer choice, potentially requiring the regulator to impose conditions (or block the deal) before approving the merger.

Bài tập luyện tập

[HL] Explain **one** reason a home country's government might be concerned about one of its own MNCs relocating a large share of its manufacturing abroad.

Lời giải chi tiết

The home country risks domestic job losses and deindustrialisation — losing manufacturing employment and associated tax revenue — while the wider economy becomes more dependent on, and exposed to, the political and economic conditions of the foreign countries the MNC now relies on for production.

Bài tập luyện tập

A consumer buys a designer handbag costing ten times more than a functionally identical alternative, purely for its brand prestige. This purchase is best classified as satisfying a:

(A) Need
(B) Want
(C) Factor of production
(D) Unit of added value

Lời giải chi tiết

A need is essential for survival (food, shelter, basic clothing); a prestige handbag purchased far above the functional alternative's price is a non-essential desire — a **want**. **(B)**.

Bài tập luyện tập

State the economic reward associated with each of the four factors of production: land, labour, capital and enterprise.

Lời giải chi tiết

Land → rent. **Labour** → wages/salaries. **Capital** → interest. **Enterprise** → profit.

Bài tập luyện tập

A firm's marketing department launches a major new advertising campaign without informing the operations department in advance. Explain **one** likely consequence for the operations function.

Lời giải chi tiết

Operations may be unable to meet the sudden surge in customer demand created by the campaign — insufficient inventory or production capacity could lead to stockouts, delayed orders and disappointed customers — illustrating why functional areas must coordinate closely rather than act independently of one another.

Bài tập luyện tập

What is the main advantage of a **limited liability partnership (LLP)** over an ordinary partnership?

(A) Partners share unlimited liability equally

(B) Partners gain limited liability while retaining partnership flexibility

(C) An LLP cannot legally have more than two partners

(D) An LLP is legally identical to a sole trader

Lời giải chi tiết

An LLP modifies the ordinary partnership structure specifically to give partners **limited liability** — protecting personal assets — while keeping much of the operational and management flexibility of a normal partnership. **(B)**.

Bài tập luyện tập

Explain **one** reason a government might choose to own and operate a national railway as a **public corporation** rather than leaving it entirely to private firms.

Lời giải chi tiết

Rail infrastructure requires enormous upfront capital investment with returns too slow and uncertain to reliably attract private investors, and the government may prioritise a public-service objective — affordable, universal access for all citizens — over the pure commercial profit that a private operator would otherwise pursue.

Bài tập luyện tập

Explain what is meant by a "dual bottom line" in the context of a social enterprise.

Lời giải chi tiết

A dual bottom line means the organisation pursues both financial sustainability (generating enough revenue/surplus to keep operating) *and* a measurable social or environmental impact as co-equal core objectives, rather than treating social impact as a secondary consideration behind a primary profit motive, as a conventional PLC typically would.

Bài tập luyện tập

A newly-opened retail store consistently attracts high customer footfall but still closes within a year. Suggest **one** reason for its failure that is unrelated to weak product demand.

Lời giải chi tiết

Poor cash-flow management is a strong candidate — for example, having to pay suppliers, staff and a high monthly rent before customer payments are collected, or being weighed down by high fixed costs (an expensive lease) that swallow revenue despite strong footfall; the business can fail from running out of cash even while genuinely popular with customers.

Bài tập luyện tập

Explain **one** reason a bank evaluating a business plan for a loan application typically focuses more heavily on **cash-flow forecasts** than an equity investor might.

Lời giải chi tiết

A bank is primarily concerned with the certainty of being repaid its interest and principal regardless of how successful the business ultimately becomes, so it focuses closely on whether projected cash flow reliably covers loan repayments. An equity investor, by contrast, shares directly in the business's upside (and downside) and may willingly accept more risk in exchange for the potential of much larger capital growth.

Bài tập luyện tập

Which best describes the relationship between a **vision statement** and an **aim**?

(A) A vision is always a specific numeric target, while an aim is deliberately vague

(B) An aim operationalises the broad aspiration expressed in a vision statement into a general goal

(C) Aims must always be written before the vision statement

(D) There is no meaningful relationship between the two

Lời giải chi tiết

A vision describes a broad, long-term future aspiration; an **aim** translates that aspiration into a more concrete general goal, which is in turn broken down into quantified SMART objectives. **(B)**.

Bài tập luyện tập

Explain why a corporate objective to "increase market share by 10%" cannot be achieved without corresponding **functional** objectives.

Lời giải chi tiết

A corporate objective states *what* the whole organisation must achieve but not *how*. Each function — marketing, operations, HR, finance — must translate the corporate goal into its own specific, measurable target (e.g. marketing raising brand awareness, operations raising production capacity); without this cascade, staff in each department have no concrete guidance on what to actually do differently day to day.

Bài tập luyện tập

A clothing company reports strong profit growth but is heavily criticised for its factories' poor working conditions and significant water pollution. Explain how the **triple bottom line** framework would evaluate this company's overall performance.

Lời giải chi tiết

Under the triple bottom line, strong performance on *profit* does not offset poor performance on *people* (poor working conditions) and *planet* (water pollution) — all three dimensions are assessed together as co-equal measures of success, so this company would be judged as performing poorly overall despite its strong financial results.

Bài tập luyện tập

Explain why a new government subsidy for electric vehicles could reasonably be classified under **more than one** STEEPLE category.

Lời giải chi tiết

The subsidy is simultaneously **Political/Legal** (a government policy decision, likely backed by legislation) and **Environmental** (intended to reduce vehicle emissions) — illustrating how STEEPLE categories frequently overlap rather than being neatly mutually exclusive.

Bài tập luyện tập

Explain how a stakeholder's position on the power–interest matrix might change over time, using an example.

Lời giải chi tiết

A single small shareholder normally has low power. If several small shareholders unite into a coalition (or one shareholder steadily buys more shares over time), their combined voting power rises — potentially moving them from "monitor" or "keep informed" toward "manage closely." Stakeholder mapping must therefore be reviewed periodically rather than treated as fixed.

Bài tập luyện tập

A firm has a very high market capitalisation but only 12 employees, thanks to a highly automated, software-based business model. Explain why this firm could reasonably be described as both "large" and "small" depending on the measure used.

Lời giải chi tiết

By **market capitalisation** (a financial-value measure), the firm is large; by **employee count** (a labour measure), the firm is small. This illustrates why no single measure of business size is universally reliable, particularly for capital-intensive, highly automated or digital business models.

Bài tập luyện tập

Explain **one** reason governments often introduce specific policies (e.g. tax breaks, simplified regulation) to support small and medium-sized enterprises (SMEs).

Lời giải chi tiết

SMEs collectively are often the largest source of new job creation in an economy, and a vital source of competition and innovation, even though large firms typically generate a disproportionate share of total output — supporting SMEs helps sustain employment and maintain competitive, dynamic markets.

Bài tập luyện tập

A rapidly-expanding retailer runs out of cash to pay its suppliers despite reporting a profit on paper, because its expansion outpaced its available working capital. This is best described as:

(A) Diseconomies of scale

(B) Overtrading

(C) Retrenchment

(D) A de-merger

Lời giải chi tiết

Running out of cash *despite* being profitable, because growth has outpaced available working capital, is the definition of **overtrading**. **(B)**.

Bài tập luyện tập

Explain the difference between **retrenchment** and a **de-merger**.

Lời giải chi tiết

Retrenchment is a general survival strategy of shrinking operations — closing loss-making outlets, cutting costs or headcount — that a single company undertakes internally. A de-merger is a more formal, structural action that splits one company into two or more entirely separate, independently-owned (or listed) companies, often reversing a previous merger or diversification decision.

Bài tập luyện tập

Explain **one** reason diversification (new product, new market) is considered the riskiest strategy on the Ansoff Matrix.

Lời giải chi tiết

The firm has no established expertise or track record in either the new product *or* the new market simultaneously, so it lacks the customer knowledge, supplier relationships and operational experience that reduce risk in the other three quadrants (each of which shares at least one familiar dimension — an existing product or an existing market).

Bài tập luyện tập

[HL] An MNC relocates production to a country purely because a new bilateral trade agreement removes import tariffs on its finished goods, even though labour costs there are similar to its existing sites. This is best classified as:

(A) Market-seeking
(B) Resource-seeking
(C) Efficiency-seeking
(D) Risk-bearing

Lời giải chi tiết

Since labour costs are unchanged (ruling out resource-seeking) and the decision is not about reaching new customers, the motive is purely reducing costs and maximising profit via favourable trade terms — **efficiency-seeking**. **(C)**.

Bài tập luyện tập

[HL] Explain, using the concept of **transfer pricing**, why an MNC's tax practices can be entirely legal but still controversial.

Lời giải chi tiết

Transfer pricing allows an MNC to legally shift profit between its own operations in different countries (for example, by charging its subsidiaries for internal transactions), often in order to minimise its overall tax bill. This is lawful under current international tax rules, but controversial because a host country hosting substantial MNC activity may receive very little tax revenue in return, raising fairness concerns about who bears the cost of the public services the MNC's operations rely on.

Bài tập luyện tập

[HL] Explain why an insurance company would be willing to insure a firm against warehouse fire damage, but not against the general possibility that "a completely new technology could make the firm's entire product line obsolete."

Lời giải chi tiết

Warehouse fire risk can be estimated from historical statistical data — a measurable, insurable **risk**. The possibility of an entirely new, unprecedented technology emerging is genuine **uncertainty**, whose likelihood cannot be meaningfully estimated in advance. Insurers price and sell cover based on calculable probabilities, not open-ended uncertainty.

Bài tập luyện tập

[HL] Explain why a business's response to a crisis often matters more to its long-term reputation than the direct financial cost of the crisis itself.

Lời giải chi tiết

Customers, investors and the media judge a business heavily on whether its response was honest, fast and transparent, versus evasive and slow. A poorly-handled response signals untrustworthy leadership and can permanently damage customer trust and brand loyalty, causing far greater long-run revenue loss than the direct financial cost of the original incident.

Bài tập luyện tập

[HL] A retailer relies on a single overseas supplier for a key product line. Explain **one** specific contingency-planning measure that would reduce the risk this creates.

Lời giải chi tiết

Establishing a relationship with at least one backup/alternative supplier (ideally based in a different region) in advance, so that if the primary supplier fails — due to a natural disaster, political disruption, or financial collapse — the retailer can shift orders relatively quickly rather than facing a complete stock-out.

Bài tập luyện tập

Explain what is meant by **deindustrialisation**, and state **one** likely cause.

Lời giải chi tiết

Deindustrialisation is a decline in the share of a country's output and employment accounted for by the secondary (manufacturing) sector as its economy matures. One likely cause: automation replacing manufacturing labour, or manufacturing relocating abroad to lower-cost countries (linked to MNC resource-seeking/efficiency-seeking motives), while the tertiary and quaternary sectors grow to occupy a larger share of the economy.

Bài tập luyện tập

A single-location bakery that only serves its immediate neighbourhood, with no plans to expand, is best classified in terms of scale of operation as a:

(A) Local business
(B) National business
(C) International business
(D) Multinational company

Lời giải chi tiết

Serving customers within a single town or neighbourhood, with no broader reach, is the definition of a **local business**. **(A)**.

Bài tập luyện tập

A firm is choosing between two new factory sites, scored out of 10 on three criteria weighted by importance: labour cost (weight 40%), transport links (weight 35%), government incentives (weight 25%). Site X scores 7 (labour), 5 (transport), 8 (incentives). Site Y scores 5 (labour), 8 (transport), 6 (incentives). Calculate the weighted score for each site and recommend one.

Lời giải chi tiết

$$\text{Site X} = (7 \times 0.40) + (5 \times 0.35) + (8 \times 0.25) = 2.80 + 1.75 + 2.00 = \boxed{6.55}$$

$$\text{Site Y} = (5 \times 0.40) + (8 \times 0.35) + (6 \times 0.25) = 2.00 + 2.80 + 1.50 = \boxed{6.30}$$

Site X has the higher weighted score (6.55 versus 6.30) and should be recommended, driven mainly by its much stronger labour-cost score outweighing Site Y's advantage in transport links.

Bài tập luyện tập

A franchisee's monthly sales are $40,000. The franchise agreement requires a 6% royalty payment to the franchisor. Calculate (a) the monthly royalty payment, and (b) the amount retained by the franchisee before any other costs are deducted.

Lời giải chi tiết

(a)

$$40{,}000 \times 0.06 = \boxed{\$2{,}400}$$

(b)

$$40{,}000 - 2{,}400 = \boxed{\$37{,}600}$$

Bài tập luyện tập

A firm's revenue is $45 million in a total market worth $300 million. (a) Calculate the firm's market share. The following year, its revenue grows to $54 million while the total market grows to $360 million. (b) Calculate the new market share and comment on the firm's performance.

Lời giải chi tiết

(a)

$$\frac{45}{300} \times 100 = \boxed{15\%}$$

(b)

$$\frac{54}{360} \times 100 = \boxed{15\%}$$

Market share is **unchanged** despite the firm's revenue growing by 20% (from $45m to $54m), because the overall market also grew by exactly 20% (from $300m to $360m) over the same period — the firm grew in line with, but not faster than, its market.

Bài tập luyện tập

A firm invests $400,000 of capital and earns $60,000 profit in a year. Calculate its return on capital employed (ROCE).

Lời giải chi tiết

$$\text{ROCE} = \frac{60{,}000}{400{,}000} \times 100 = \boxed{15\%}$$

This 15% return can then be compared against the return available from alternative uses of the same capital (e.g. a bank deposit, or investing in a rival project) to judge whether the investment was worthwhile.

Bài tập luyện tập

A budget airline attracts customers primarily by offering the lowest fares in the market, achieved through minimising its operating costs. This competitive strategy is best described as:

(A) Differentiation
(B) Cost leadership
(C) Diversification
(D) Vertical integration

Lời giải chi tiết

Competing primarily on price, underpinned by the lowest possible cost base, is the definition of a **cost leadership** strategy — distinct from differentiation, which competes on perceived unique value rather than price. **(B)**.

Bài tập luyện tập

Explain **one** reason a PLC faces stricter financial disclosure requirements than a private limited company (Ltd).

Lời giải chi tiết

Because PLC shares are traded publicly, potential and existing shareholders — who typically have no personal relationship with the company — rely heavily on public financial disclosure to make informed investment decisions and to guard against fraud or manipulation. Regulators therefore require far more detailed and frequent public reporting than for a private Ltd company, whose shares are not offered to the general public.

Bài tập luyện tập

Explain **one** advantage and **one** risk of being the first company to launch an entirely new type of product in a market.

Lời giải chi tiết

Advantage: a first mover can capture early brand loyalty and market share, and potentially set the industry standard, before competitors arrive. **Risk:** the first mover bears the highest cost of educating an unfamiliar market and may make costly design or positioning errors that later, faster-following competitors can observe and avoid.

Bài tập luyện tập

A car manufacturer redesigns its factory assembly line to cut production time by 30%, without changing the car itself in any way. This is an example of:

(A) Product innovation
(B) Process innovation
(C) Market penetration
(D) Diversification

Lời giải chi tiết

Improving *how* a good is produced, without changing the good itself, is **process innovation**; changing the product itself would instead be product innovation. **(B)**.

Bài tập luyện tập

Explain what is meant by an ”ethical objective”, using an example distinct from a purely legal requirement.

Lời giải chi tiết

An ethical objective is a specific moral commitment guiding business decisions beyond the legal minimum — for example, a coffee company voluntarily committing to pay all of its suppliers at least a guaranteed ”fair trade” minimum price, even where no law requires it to do so.

Bài tập luyện tập

A farming cooperative distributes $180,000 of annual profit among its three member-farmers based on the volume of milk each supplied: Farmer A supplied 40% of total volume, Farmer B 35%, and Farmer C 25%. Calculate each farmer's share of the profit.

Lời giải chi tiết

$$\text{A} = 180{,}000 \times 0.40 = \boxed{\$72{,}000} \qquad \text{B} = 180{,}000 \times 0.35 = \boxed{\$63{,}000} \qquad \text{C} = 180{,}000 \times 0.25 = \boxed{\$45{,}000}$$

(Check: $72,000 + $63,000 + $45,000 = $180,000, confirming the shares sum correctly to total profit.)

Bài tập luyện tập

Which of the following would be classified as a **Weakness**, rather than a Threat, in a SWOT analysis?

(A) A strong new competitor entering the market
(B) An outdated internal IT system slowing order processing
(C) Rising interest rates increasing borrowing costs
(D) New environmental regulation raising compliance costs

Lời giải chi tiết

A Weakness must be **internal** to the business; the outdated IT system is an internal factor within the firm's control (in principle) that harms performance. The other three options are all external factors beyond the firm's control, making them Threats, not Weaknesses. **(B)**.

Bài tập luyện tập

A clothing brand faces public criticism after investigative journalism reveals its supplier factories underpay workers relative to a living wage, despite technically paying above the legal minimum wage. Which STEEPLE category does this public criticism best represent, and why?

Lời giải chi tiết

This is best classified as **Ethical** — the criticism concerns a moral expectation of fair treatment of workers that goes beyond mere legal compliance; the factories are not breaking the law, but are seen by the public as falling short of a socially expected ethical standard.

Bài tập luyện tập

[HL] A firm purchases business-interruption insurance and identifies a backup supplier before any problem has occurred. This is an example of:

(A) Crisis management
(B) Contingency planning
(C) Retrenchment
(D) A de-merger

Lời giải chi tiết

Proactive preparation carried out *before* anything goes wrong is, by definition, **contingency planning**, not crisis management (which is reactive, occurring only after an unexpected event). **(B)**.

Bài tập luyện tập

Place the following in order from broadest/most long-term to most specific/short-term: functional objective; mission statement; corporate objective; individual/team target.

Lời giải chi tiết

Mission statement (broadest, defines the business's core long-term purpose) → **corporate objective** (a quantified, whole-organisation goal) → **functional objective** (a specific target for one department) → **individual/team target** (the most specific, shortest-term level).

Bài tập luyện tập

A small organic farm uses fertile soil, seasonal workers, a tractor purchased with a bank loan, and the owner's decision to take on the risk of starting the farm. Match each of these to a factor of production.

Lời giải chi tiết

Fertile soil → **land**. Seasonal workers → **labour**. The tractor (financed capital equipment) → **capital**. The owner's decision to organise these resources and bear the risk → **enterprise**.

Bài tập luyện tập

A furniture company sells its products to customers in 15 countries via local distributors, but manufactures everything in a single factory in its home country. This company is best classified as:

(A) A local business
(B) A national business
(C) An international business
(D) A multinational company

Lời giải chi tiết

Trading across many borders without owning or controlling any operations abroad is the definition of an **international business**, distinct from a multinational company, which would own or control production/service operations in two or more countries. **(C)**.

Bài tập luyện tập

Explain **one** disadvantage of franchising from the **franchisor's** perspective.

Lời giải chi tiết

The franchisor sacrifices some direct control over how the brand is delivered day-to-day at each site (service quality, cleanliness, staff conduct), and a poor performance or reputational incident at a single franchised outlet can damage the reputation of the whole brand, even though the franchisor does not directly manage that particular location.

Bài tập luyện tập

Explain **one** way genuine innovation can increase a firm's added value **without** cutting its costs.

Lời giải chi tiết

Innovation can create a distinctive product feature or entirely new customer benefit (a stronger USP) that customers are willing to pay a premium for, raising the selling price customers accept without necessarily changing the cost of bought-in materials — directly raising added value (selling price minus bought-in cost) through differentiation rather than through cost-cutting.

Bài tập luyện tập

Identify **two** different stakeholders (other than the entrepreneur) who might read a business plan, and state **one** different piece of information each is most interested in.

Lời giải chi tiết

A bank — most interested in the cash-flow forecast and the business's demonstrated ability to reliably repay a loan. **A potential supplier** — most interested in the business's likely order volume and its creditworthiness (ability to pay invoices on time).

Bài tập luyện tập

A factory experiences a sudden, unannounced explosion. Explain whether the firm's actions in the days immediately following the explosion are best described as **contingency planning** or **crisis management**, and why.

Lời giải chi tiết

This is **crisis management** — because it is the *reactive* response to an unexpected event that has already occurred. Contingency planning would only refer to preparations (insurance, emergency protocols, a designated response team, backup sites) the firm had already put in place *before* the explosion happened, precisely so it would not be starting its response from zero.

Human Resource Management

> **Mục tiêu Unit:** Cơ cấu tổ chức (chain of command, span of control, delegation, centralisation/decentralisation); hoạch định nhân lực; tuyển dụng — lựa chọn; đào tạo và đánh giá nhân viên; phong cách lãnh đạo; các thuyết động lực (Taylor, Mayo, Maslow, Herzberg — HL: McClelland, Locke); giao tiếp trong tổ chức; văn hoá doanh nghiệp (HL: Handy, Hofstede); và quan hệ lao động (HL: industrial relations).

2.1 Organisational structure

An **organisational chart** is a diagram showing the formal structure of a business: its **chain of command** (the line of authority running from the top of the business to the bottom), the **span of control** of each manager (the number of subordinates who report directly to them), and the **levels of hierarchy** between the most senior and most junior employee. Organisational charts also make clear each employee's **line manager** — the person to whom they are directly accountable.

2.1.1 Formal and informal organisation

The chart itself describes the **formal organisation** — the officially designed structure, job titles and reporting lines set out by management. Alongside this, every business also has an **informal organisation**: the unofficial network of relationships, friendships and communication patterns that actually influences how work gets done day to day (sometimes called the "grapevine" when it carries information). A junior employee who is not a line manager may nonetheless be an informal opinion-leader whom colleagues consult before any formal decision is made.

> The **formal organisation** is deliberately designed and appears on the organisational chart; it gives clarity, accountability and a basis for planning. The **informal organisation** develops naturally through personal relationships; it can speed up communication and build morale, but it can also spread rumour, bypass proper channels, or create informal power bases that undermine the official structure if managers ignore it.

> VN **GIẢI THÍCH TIẾNG VIỆT**
>
> Cơ cấu chính thức (formal organisation) là cấu trúc được thiết kế chủ động, thể hiện trên sơ đồ tổ chức (job title, đường báo cáo rõ ràng). Cơ cấu phi chính thức (informal organisation) là mạng lưới quan hệ tự nhiên giữa nhân viên — có thể giúp thông tin lan truyền nhanh và gắn kết đội nhóm, nhưng cũng dễ phát sinh tin đồn hoặc "quyền lực ngầm" nếu quản lý bỏ qua.

2.1.2 Chain of command, span of control and levels of hierarchy

A structure with **many levels of hierarchy** and a **narrow span of control** at each level is described as **tall**; a structure with **few levels** and a **wide span of control** is **flat**. Tall structures allow closer supervision of each subordinate but slow down communication (a message must pass through more layers) and raise management costs. Flat structures speed up communication and cut management costs, but each manager has less time to supervise, support and develop each individual subordinate.

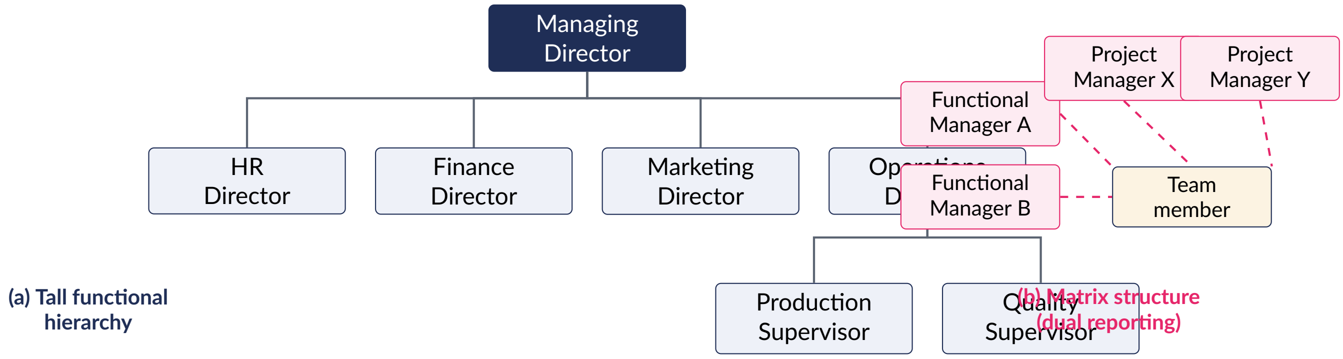

Figure 2.1 — (a) A tall functional hierarchy with 3 levels; the Operations Director has a span of control of 2 at this level. (b) A matrix structure: the team member reports to *both* a functional manager and a project manager (dual reporting), shown by the dashed lines.

Worked example: Span of control and levels of hierarchy in two companies

Company A has 1 CEO, 4 department heads reporting to the CEO, and 24 team members split evenly among the 4 heads.

$$\text{Span of control of each department head} = \frac{24}{4} = \boxed{6} \qquad \text{Levels of hierarchy} = \boxed{3}$$

(CEO → department heads → team members.)

Company B is a retail chain with 1 CEO, 3 regional managers reporting to the CEO, and 30 store managers split evenly among the 3 regional managers.

$$\text{Span of control of each regional manager} = \frac{30}{3} = \boxed{10} \qquad \text{Levels of hierarchy} = \boxed{3}$$

Although both companies have 3 levels of hierarchy, Company B's regional managers each supervise more people directly (10 vs. 6) — Company B's structure is relatively **flatter** at that layer, so its regional managers will typically have less time available to closely support each individual store manager than Company A's department heads have for each team member.

VN **GIẢI THÍCH TIẾNG VIỆT**

Chain of command là đường quyền lực từ cấp cao nhất xuống thấp nhất trong tổ chức; span of control là số cấp dưới trực tiếp báo cáo cho một quản lý; levels of hierarchy là số tầng quản lý từ trên xuống dưới. Cơ cấu "tall" có nhiều tầng và span of control hẹp — giám sát chặt hơn nhưng giao tiếp chậm, chi phí quản lý cao; cơ cấu "flat" có ít tầng và span of control rộng — giao tiếp nhanh, tiết kiệm chi phí nhưng quản lý khó sát sao từng người.

2.1.3 Structures by function, product, geography and customer

Beyond the tall/flat and centralised/decentralised distinctions, businesses also choose how to **group** their staff and activities into departments — the choice shapes coordination, accountability and how closely the structure tracks the needs of customers.

A **functional structure** groups staff by specialism (HR, finance, marketing, operations — as in Figure 2.1a). It builds deep expertise within each function and avoids duplicating specialist roles, but can create "silos" where departments optimise their own performance at the expense of the whole business, and coordination between functions on a single customer-facing project can be slow.

A **product (divisional) structure** groups staff around a product line or brand (e.g. separate divisions for a company's household, personal-care and food brands), each with its own functional support. This gives clear accountability for each product's performance and lets each division respond quickly to its own market, but duplicates functional roles (e.g. separate HR and finance teams per division) and can fragment the organisation's overall bargaining power and brand identity.

A **geographic (regional) structure** groups staff by location (e.g. Europe, Asia-Pacific, Americas divisions), allowing each region to adapt products, marketing and HR practices to local laws, culture (cf. Hofstede, Section 2.9.2) and market conditions, at the cost of duplicated roles across regions and a risk of inconsistent global branding or standards.

A **customer-based structure** groups staff around customer segments (e.g. separate corporate-client and retail-client divisions of a bank), improving the ability to tailor service to each segment's distinct needs, but again duplicating some functional roles across segments.

Large multinational companies often combine these — for example, a global geographic structure at the top level, with each region internally organised by function or product — which is itself one motivation for the matrix structures discussed above (Section 2.1.4), since a single employee's work may need to serve both a functional specialism and a regional or product-line goal simultaneously.

VN **GIẢI THÍCH TIẾNG VIỆT**

Cơ cấu theo chức năng (functional) nhóm nhân viên theo chuyên môn (HR, tài chính, marketing...) — xây dựng chuyên môn sâu nhưng dễ tạo "silo" giữa các phòng ban. Cơ cấu theo sản phẩm (product/divisional) nhóm theo dòng sản phẩm — trách nhiệm rõ ràng nhưng trùng lặp vai trò chức năng giữa các bộ phận. Cơ cấu theo khu vực địa lý (geographic) nhóm theo vùng/quốc gia — thích ứng tốt với luật pháp và văn hoá địa phương nhưng khó đồng bộ toàn cầu. Cơ cấu theo khách hàng (customer-based) nhóm theo phân khúc khách hàng. Các tập đoàn đa quốc gia lớn thường kết hợp nhiều cách trên, dẫn đến cơ cấu ma trận (matrix).

2.1.4 Delegation, authority, responsibility and accountability

Delegation is the passing down of authority from a manager to a subordinate to complete a specific task. Effective delegation requires the manager to give the subordinate enough **authority** (the power to make decisions and command resources) to complete the task, not merely the **responsibility** (the duty to carry it out) without the means to do so.

Khái niệm cốt lõi

Responsibility is the duty to carry out a task and can be delegated to a subordinate. **Accountability** is ultimate ownership for the outcome, and **cannot** be delegated away — a manager who delegates a task to a subordinate remains accountable to their own superior if it goes wrong, even though the subordinate was responsible for actually doing it. This is why delegation requires trust: the manager must accept the risk of a subordinate's mistake while still answering for it.

Benefits of delegation: frees senior managers' time for strategic tasks, develops subordinates' skills and confidence, and can improve motivation (a link to Herzberg's motivator of greater **responsibility**, Section 2.7). Risks: the manager may lose some control over how the task is done, quality may suffer if the subordinate is under-trained or under-supported, and poor delegation (dumping unwanted tasks without adequate authority or resources) can demotivate staff rather than develop them.

VN GIẢI THÍCH TIẾNG VIỆT

Delegation (uỷ quyền) là chuyển giao quyền hạn (authority) cho cấp dưới để hoàn thành một nhiệm vụ cụ thể. Responsibility (trách nhiệm thực hiện) có thể được uỷ quyền, nhưng accountability (trách nhiệm giải trình cuối cùng) thì không — người quản lý uỷ quyền vẫn phải chịu trách nhiệm trước cấp trên của mình nếu nhiệm vụ thất bại, dù người thực hiện trực tiếp là cấp dưới.

2.1.5 Centralisation, decentralisation and matrix structures

Centralisation keeps decision-making authority with senior managers at head office, ensuring consistency of policy and strong central control, but can slow decisions that need local knowledge and reduce lower-level staff's sense of ownership. **Decentralisation** pushes authority down to regional managers, branch managers or individual teams, allowing faster, more locally-informed decisions and greater motivation through delegated responsibility, at the cost of less central oversight and possible inconsistency between branches/regions.

A **matrix structure** (Figure 2.1b) organises staff into cross-functional project teams with **dual reporting lines** — to both a permanent functional manager (e.g. Marketing, IT) and a temporary project manager. This improves flexibility, encourages cross-department collaboration and pools specialist expertise around specific projects, but can create conflicting instructions from two managers, dilute accountability, and generate departmental tension over who has priority on an employee's time.

(!) Lỗi thường gặp: Delayering (removing a layer of *management*, Section 2.1.5) is not automatically the same as decentralisation. A delayered firm can still be highly **centralised** if the remaining senior managers keep all key decisions to themselves despite now having more direct reports — delayering changes the *shape* of the hierarchy, while centralisation/decentralisation describes *where* decisions are actually made.

VN GIẢI THÍCH TIẾNG VIỆT

Centralisation giữ quyền quyết định ở cấp cao (nhất quán nhưng chậm với vấn đề địa phương); decentralisation trao quyền cho cấp dưới/khu vực (nhanh, sát thực tế nhưng khó kiểm soát đồng bộ). Matrix structure: nhân viên báo cáo cho cả quản lý chức năng (functional manager) và quản lý dự án (project manager) — linh hoạt nhưng dễ xung đột chỉ đạo.

2.1.6 Delayering, outsourcing and offshoring

Delayering removes one or more layers of management, widening the span of control of the layers that remain. It can cut management costs and speed up communication (fewer layers for a message to pass through) and creates a flatter, often more decentralised-feeling structure — but it can overload the remaining managers, remove promotion opportunities that used to motivate ambitious staff, and cause a temporary loss of institutional knowledge if experienced managers are made redundant.

Many businesses also **outsource** — contracting an external specialist to perform a business function (e.g. payroll, IT support, customer service, cleaning) rather than employing staff to do it in-house. This can reduce cost and access specialist expertise/technology the firm could not efficiently build itself, but risks a loss of control over quality, delivery timing and the security of confidential information. **Offshoring** extends this idea by relocating a function (whether kept in-house or outsourced to a third party) to another country, typically to access lower labour costs or a larger skilled labour pool.

> The "right" span of control for a manager depends on several factors: the **complexity of the task** (simple, repetitive tasks allow a wider span; complex, varied tasks require a narrower span for adequate supervision), the **skill and experience of subordinates** (highly capable, self-motivated staff need less direct oversight, allowing a wider span), the **manager's own competence and available time**, and the **geographic dispersion** of the team (subordinates spread across multiple sites or countries are harder to supervise closely, often forcing a narrower span or greater reliance on delegated local managers).

Businesses typically delayer in response to cost pressure (removing management salaries), a strategic push toward faster, more responsive decision-making, or the adoption of technology (shared digital dashboards, real-time reporting) that lets one manager reliably oversee a wider span than before. The practical limit still binds: extending Section 2.1.2's Company A example, if delayering removed its department-head layer entirely, the CEO's span of control would jump from 4 to 24 direct reports — most CEOs would struggle to meaningfully supervise, coach and communicate with 24 people at once, so a delayering decision must weigh the cost savings against this practical ceiling on manageable span.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> Delayering (cắt tầng quản lý) giúp tiết kiệm chi phí và giao tiếp nhanh hơn nhưng có thể khiến quản lý còn lại quá tải và mất cơ hội thăng tiến của nhân viên. Outsourcing (thuê ngoài) giúp tiếp cận chuyên môn với chi phí thấp hơn nhưng giảm khả năng kiểm soát chất lượng/bảo mật; offshoring là chuyển chức năng đó ra nước ngoài để tận dụng chi phí lao động thấp hơn.

2.2 Leadership and management

2.2.1 Management versus leadership

Management focuses on planning, organising, coordinating and controlling resources to meet existing objectives efficiently. **Leadership** focuses on setting direction, inspiring people and driving change. The two overlap but are not identical: a good **manager** keeps a business running smoothly and to budget; a good **leader** gives people a reason to want to follow. A person can be a highly competent manager without being an inspiring leader, and vice versa — most senior roles in practice require elements of both.

2.2.2 The four leadership styles

Autocratic — the leader makes all decisions alone with little or no consultation, and expects instructions to be followed without question. Fast decision-making; useful in a crisis or with inexperienced/unskilled staff who need clear direction; but demotivating for skilled, experienced employees and stifles initiative and creativity.

Paternalistic — the leader makes the final decision but explains their reasoning to staff and genuinely considers staff welfare, acting somewhat like a "parent" figure looking after the interests of the "family." Can build loyalty and trust; but staff still lack real decision-making power, and some may find the relationship patronising.

Democratic (persuasive/consultative) — staff are consulted and actively involved in decisions, either persuaded to support a proposal (persuasive) or asked to help shape it (consultative). Slower decision-making, since more views must be gathered; but it improves staff motivation, buy-in, and often the *quality* of decisions through diverse input.

Laissez-faire — staff make their own decisions with minimal day-to-day direction from the leader, who mainly sets overall goals and is available if needed. Effective only with highly skilled, self-motivated, experienced teams; with less experienced staff it can lead to a lack of direction, duplicated effort and poor coordination.

These four styles play out differently across real settings. In a **restaurant kitchen during a Saturday dinner rush**, the head chef typically gives sharp, immediate instructions with no discussion — an **autocratic** approach that suits a high-pressure, time-critical environment where mistakes could ruin service. In a **family-owned textile factory**, the founder might make the final call on every major decision but always explain her reasoning to long-serving staff and personally check on their welfare (subsidised meals, flexible hours for parents) — a **paternalistic** style suited to a culture built on loyalty and a "family" ethos. In a **marketing agency** planning a client campaign, the creative director might hold a workshop where every team member pitches ideas before a joint decision is made — a **democratic** style that benefits from diverse creative input and improves staff buy-in. In a **university research laboratory**, the principal investigator might set the overall research question and budget, then let PhD researchers design their own experiments with minimal daily oversight — a **laissez-faire** style suited to highly skilled specialists who need autonomy, but one that would be **inappropriate** for a lab of first-year students still needing close guidance.

(!) Lỗi thường gặp: A leadership style is judged appropriate or inappropriate relative to the *situation*, not in the abstract. The same manager who is rightly autocratic during a genuine emergency would demotivate a team of experienced specialists by staying autocratic once the crisis has passed — and the laissez-faire style that empowers expert researchers would leave first-year trainees dangerously unsupervised.

VN GIẢI THÍCH TIẾNG VIỆT

Autocratic phù hợp khi cần quyết định nhanh (bếp nhà hàng giờ cao điểm) hoặc nhân viên thiếu kinh nghiệm; paternalistic quan tâm phúc lợi nhân viên như "gia đình" nhưng vẫn giữ quyền quyết định cuối cùng; democratic tham vấn nhân viên, tăng động lực và chất lượng quyết định nhưng chậm hơn; laissez-faire phù hợp với đội ngũ chuyên gia giàu kinh nghiệm, tự chủ cao (phòng thí nghiệm nghiên cứu), nhưng dễ thiếu định hướng nếu áp dụng sai đối tượng.

2.2.3 [HL] Situational (contingency) leadership

[HL] Situational (contingency) leadership argues that no single style is universally "best" — the appropriate style depends on the nature of the task, the team's skill/experience level, and the time pressure involved. An effective leader adapts their style to the situation rather than always relying on one default approach.

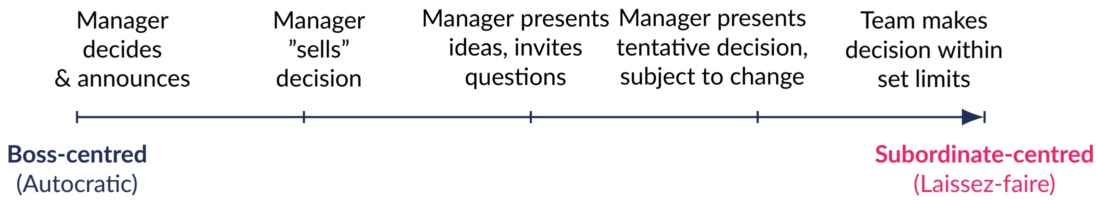

Figure 2.2 — The Tannenbaum–Schmidt continuum of leadership styles, running from boss-centred (autocratic) to subordinate-centred (laissez-faire).

[HL] The **Tannenbaum–Schmidt continuum** (Figure 2.2) illustrates leadership as a spectrum rather than a fixed choice between two extremes. Moving rightwards along the continuum, the manager retains progressively less authority and staff are given progressively more freedom to decide — but this shift should be driven by the situation (task complexity, staff competence, time available, and how much staff actually want involvement), not by personal preference alone.

VN GIẢI THÍCH TIẾNG VIỆT

[HL] Không có phong cách lãnh đạo nào "đúng" tuyệt đối — lý thuyết lãnh đạo tình huống (situational/contingency leadership) cho rằng người quản lý giỏi biết điều chỉnh phong cách theo bối cảnh cụ thể (nhiệm vụ, kỹ năng đội nhóm, áp lực thời gian). Dải Tannenbaum–Schmidt biểu diễn đây là một quang phổ liên tục, từ "boss-centred" (autocratic, quản lý giữ toàn quyền) đến "subordinate-centred" (laissez-faire, nhân viên tự quyết trong giới hạn cho phép), chứ không phải hai lựa chọn tách biệt.

Leadership style and organisational structure (Section 2.1) also tend to reinforce each other in practice: a **tall, centralised** structure with narrow spans of control often pairs naturally with a more **autocratic or paternalistic** style, since senior managers are already positioned to retain most decisions; a **flat, decentralised** structure with wide spans of control often pairs with a more **democratic or laissez-faire** style, since managers physically do not have time to closely direct every one of their many direct reports. This is not a fixed rule — a skilled leader can adopt a consultative style even within a tall hierarchy — but restructuring a business (e.g. delayering, Section 2.1.5) without also reconsidering whether the existing leadership style still fits the new structure is a common, avoidable source of post-restructuring friction.

2.3 Human resource planning

2.3.1 The workforce planning process

Human resource (HR) / workforce planning is the process of forecasting a business's future workforce needs and ensuring it has the right number of employees, with the right skills, in the right place, at the right time, to meet its objectives. It compares forecast **demand** for labour against forecast **supply** of labour.

Khái niệm cốt lõi

Demand for labour is forecast from planned sales/production levels, expected productivity per worker, and any planned expansion or new projects. **Supply of labour** has two sources: **internal supply** — the current workforce, adjusted for expected promotions, transfers, retirements and resignations (sometimes measured through a **skills audit** of employees' existing qualifications and abilities) — and **external supply** — the local/national/international labour market, including unemployment levels, migration, competitor hiring, and the output of the local education/training system.

Comparing forecast demand against forecast supply reveals either a **labour shortage** (demand exceeds supply — addressed through recruitment, training current staff, overtime, or use of temporary/agency workers) or a **labour surplus** (supply exceeds demand — addressed through natural wastage, redeployment, retraining, or, as a last resort, redundancy).

Worked example: Workforce planning demand-versus-supply gap

A logistics firm currently employs 320 warehouse staff. Over the next 12 months it expects 8 retirements and 12 resignations (natural wastage), and no further internal supply changes.

$$\text{Forecast internal supply} = 320 - 8 - 12 = \boxed{300}$$

Meanwhile, a forecast 15% rise in order volumes means the operations plan requires 340 warehouse staff to maintain current service levels.

$$\text{Gap} = \text{Demand} - \text{Supply} = 340 - 300 = \boxed{40 \text{ staff shortage}}$$

The firm must close this 40-person gap — for example, through external recruitment, upskilling/redeploying staff from a quieter site, offering overtime in the short term, or a combination of these, weighing the cost and speed of each option against how urgently the extra capacity is needed.

VN **GIẢI THÍCH TIẾNG VIỆT**

Hoạch định nhân lực (workforce planning) so sánh nhu cầu lao động dự báo (demand — dựa trên kế hoạch sản xuất/doanh số) với nguồn cung lao động dự báo (supply — nội bộ: nhân viên hiện tại sau khi trừ nghỉ hưu/nghỉ việc; bên ngoài: thị trường lao động). Nếu demand > supply: thiếu hụt lao động (cần tuyển dụng/đào tạo/làm thêm giờ). Nếu supply > demand: dư thừa lao động (cần tinh giản/redundancy hoặc điều chuyển).

2.3.2 Flexible workforce: core and peripheral employment

Modern workforce planning also considers *how* labour is contractually employed, not just how many people are needed. A widely-used way to think about this is the distinction between a **core workforce** and a **peripheral (flexible) workforce**.

The **core workforce** consists of full-time, permanent employees who hold the firm's essential knowledge and skills; investing in their training and retention is a priority, since losing them is costly to the business. The **peripheral workforce** is hired flexibly to meet fluctuating demand without the cost and commitment of permanent employment, and typically includes: **part-time** staff (working fewer than standard full-time hours), **temporary/fixed-term** staff (hired for a defined period, e.g. to cover seasonal peaks or a specific project), **zero-hours contract** staff (available for work but with no guaranteed minimum hours), **subcontractors/freelancers** (self-employed, engaged for specific tasks), and **homeworkers** (working remotely, often flexibly).

(!) Lỗi thường gặp: A flexible/peripheral workforce lowers fixed labour costs and lets a business scale staffing up or down quickly with demand — but it typically comes with lower loyalty and higher labour turnover (Section 2.7.6) among peripheral staff, weaker accumulated firm-specific knowledge, and (for zero-hours staff especially) can raise ethical and reputational concerns about job insecurity that may itself act as a powerful *de*motivator (recall Maslow's safety need, Section 2.7.4, and the warehouse-worker example above). A business that relies on peripheral staff for roles requiring real expertise or strong customer relationships may find the cost savings are outweighed by inconsistent quality and constant re-training.

GIẢI THÍCH TIẾNG VIỆT

VN

Lực lượng lao động cốt lõi (core workforce) gồm nhân viên toàn thời gian, dài hạn, nắm giữ kiến thức/kỹ năng thiết yếu — công ty đầu tư đào tạo và giữ chân họ. Lực lượng lao động linh hoạt/ngoại vi (peripheral/flexible workforce) được thuê linh hoạt để đáp ứng nhu cầu biến động: bán thời gian (part-time), hợp đồng có thời hạn (temporary), hợp đồng không giờ cố định (zero-hours), thuê ngoài/tự do (subcontractors/freelancers), làm việc từ xa (homeworkers). Lợi ích: tiết kiệm chi phí cố định, linh hoạt điều chỉnh quy mô; rủi ro: nhân viên ít gắn bó, luân chuyển cao, thiếu ổn định có thể làm giảm động lực (liên hệ nhu cầu an toàn của Maslow).

2.3.3 Redundancy, dismissal and redeployment

Redundancy is the permanent removal of a job role because the business no longer needs it (e.g. due to automation, falling demand, or restructuring) — it is not a judgement on the employee's performance. **Voluntary redundancy** invites employees to opt in (often with an enhanced payout), preserving morale and avoiding the need to select who leaves, but the firm risks losing valued staff who volunteer while less useful staff stay. **Compulsory redundancy** is selected by management (using criteria such as length of service, performance, or a "last in, first out" rule), which keeps more control over exactly which skills are retained, but can seriously damage morale and trust among remaining staff.

Dismissal is the termination of an individual's employment for a specific reason related to that person, such as misconduct or persistently poor performance — unlike redundancy, the role itself typically continues to exist and will usually be refilled.

Redeployment moves an employee whose role has become unnecessary into a different role elsewhere in the business, avoiding job losses altogether and retaining institutional knowledge and morale, provided the employee can be retrained for the new role.

Worked example: Redundancy pay calculation

A firm's redundancy policy pays 2 weeks' wages for every completed year of service. An employee earning $650 per week is made redundant after 7 completed years of service.

$$\text{Redundancy pay} = 2 \times 7 \times \$650 = 14 \times \$650 = \boxed{\$9{,}100}$$

This is a one-off cost to the business; when planning a redundancy programme, management must weigh this lump-sum cost (plus any recruitment/retraining costs if the wrong skills are lost) against the ongoing wage savings and, often, the reputational and remaining-staff morale cost of the redundancy programme.

(!) Lỗi thường gặp: Do not confuse **redundancy** (a role is no longer needed — a business decision) with **dismissal** (an individual is removed for a specific personal reason, e.g. misconduct or poor performance — the role usually survives). Confusing the two in an exam answer, or claiming a poorly-performing employee was "made redundant," is a common and costly error.

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Redundancy (dư dôi lao động) là chấm dứt hợp đồng vì vị trí không còn cần thiết, không liên quan đến hiệu suất cá nhân — có thể tự nguyện (voluntary, nhân viên đăng ký, thường kèm khoản đền bù cao hơn) hoặc bắt buộc (compulsory, quản lý chọn ai phải nghỉ). Dismissal (sa thải) là chấm dứt hợp đồng vì lý do cá nhân cụ thể (vi phạm kỷ luật, hiệu suất kém) — vị trí đó thường vẫn tồn tại và sẽ được tuyển người khác. Redeployment (điều chuyển) là chuyển nhân viên sang vị trí khác trong công ty thay vì cho nghỉ việc.

2.3.4 Succession planning

Succession planning identifies and develops internal candidates who could, in future, fill key senior or specialist roles (e.g. through mentoring, stretch assignments, and targeted training), reducing the risk and cost of an unplanned departure from a critical position. It preserves institutional knowledge, signals a career pathway that can motivate ambitious staff (a link to Herzberg's motivator of **growth**, Section 2.7), and reduces reliance on an uncertain external labour market — but if poorly managed, it can also breed complacency in the identified successor or resentment among equally capable colleagues who are not chosen.

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Succession planning (quy hoạch kế thừa) là xác định và đào tạo trước những nhân viên nội bộ có tiềm năng đảm nhận các vị trí quan trọng trong tương lai — giúp giảm rủi ro khi có người nghỉ đột xuất, giữ được kiến thức nội bộ và tạo động lực thăng tiến, nhưng nếu thực hiện không khéo có thể gây bất mãn cho các nhân viên có năng lực tương đương nhưng không được chọn.

2.3.5 Technology, automation and the changing demand for labour

Workforce planning increasingly has to forecast not just *how many* employees a business will need, but *what kind*. **Automation** and artificial intelligence are steadily substituting for labour in routine, repetitive and predictable tasks (e.g. standardised data entry, routine assembly, basic customer queries handled by chatbots), reducing forecast demand for those specific roles, while simultaneously raising forecast demand for employees who can design, operate, maintain and interpret the output of that technology.

For workforce planning, this means: (i) the **skills mix** the business needs is shifting over time, so a pure headcount forecast is not enough — a skills audit (Section 2.3.1) must be repeated regularly; (ii) some roles may show a forecast **surplus** even while the total business is growing, requiring careful, sensitive management (retraining/redeployment is strongly preferable to redundancy where at all possible, both ethically and for staff morale, Section 2.3.2); and (iii) **training** (Section 2.5) becomes a continuous, ongoing requirement rather than a one-off event tied only to a new hire's induction, since existing staff must be continually upskilled to keep pace with new technology.

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Tự động hoá (automation) và trí tuệ nhân tạo dần thay thế lao động ở các công việc lặp đi lặp lại, dễ dự đoán, đồng thời làm tăng nhu cầu với nhân viên biết vận hành/giám sát công nghệ đó. Hoạch định nhân lực vì vậy không chỉ dự báo SỐ LƯỢNG nhân viên cần thiết mà còn phải dự báo sự thay đổi về KỸ NĂNG cần có — đòi hỏi đào tạo lại (retraining) liên tục thay vì chỉ đào tạo một lần khi mới tuyển dụng.

2.4 Recruitment and selection

2.4.1 Job analysis, job description and person specification

Recruitment begins with a **job analysis** — a systematic study of what a role actually involves. This produces two documents: a **job description**, setting out the role's duties, responsibilities and reporting line, and a **person specification**, setting out the skills, qualifications, experience and personal attributes required of the ideal candidate. Together these define exactly what the business is looking for before any advertising begins.

> A clear job description and person specification (i) help the business write an accurate advertisement that attracts suitable applicants and discourages unsuitable ones, (ii) give a fair, consistent benchmark for shortlisting and interview questions, and (iii) later form the basis for that employee's induction, training plan and performance appraisal.

2.4.2 Internal versus external recruitment

> **Internal recruitment** fills a vacancy from within the existing workforce (promotion or transfer). *Advantages:* cheaper and faster than an external search; the candidate is a known quantity with a proven record and existing knowledge of company systems/culture; it motivates other staff by demonstrating a real career pathway (Section 2.3.3, succession planning). *Disadvantages:* limits the pool of new ideas/skills entering the business; creates a new (secondary) vacancy in the promoted employee's old role that must itself now be filled; may cause resentment among unsuccessful internal candidates who continue working alongside the person promoted over them.
>
> **External recruitment** advertises a vacancy to candidates outside the business. *Advantages:* a much wider pool of talent, skills and fresh ideas/perspectives; brings in someone with no pre-existing internal politics or biases. *Disadvantages:* more expensive (advertising, agency fees) and slower to fill; higher risk, since the candidate is less well known despite references and interviews; requires a fuller **induction** programme (Section 2.5.1) to bring the new hire up to speed.

> VN **GIẢI THÍCH TIẾNG VIỆT**
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> Tuyển dụng nội bộ (internal recruitment) rẻ, nhanh, tạo động lực thăng tiến vì nhân viên thấy có lộ trình sự nghiệp rõ ràng, nhưng giới hạn nguồn ý tưởng mới và tạo ra một vị trí trống mới cần lấp đầy. Tuyển dụng bên ngoài (external) mang lại kỹ năng/góc nhìn mới nhưng tốn kém, chậm hơn, rủi ro cao hơn và cần đào tạo hội nhập (induction) kỹ hơn.

2.4.3 The selection process

Job analysis → Advertise vacancy → Shortlist applications/CVs → Interview & aptitude tests → Selection decision → Induction training

Figure 2.3 — The recruitment and selection process, from job analysis to the new hire's induction.

Once a vacancy is advertised, candidates typically submit an **application form or CV**. The business then **shortlists** a manageable number of the strongest candidates against the person specification, before moving to more detailed assessment:

> **Interviews** (one-to-one, panel, or group) let the employer probe experience, judgement and "fit," though they are vulnerable to interviewer bias. **Aptitude/psychometric tests** measure specific skills (numeracy, problem-solving) or personality traits in a standardised, more objective way. **Assessment centres** combine several methods over one or more days (group exercises, presentations, in-tray simulations, interviews) to observe candidates' behaviour under realistic, varied conditions — more expensive and time-consuming to run, but often a stronger predictor of on-the-job performance than a single interview alone. **References** from previous employers verify a candidate's claims and past conduct before a final offer is confirmed.

Consider a firm comparing filling a supervisor vacancy internally versus externally. **Internal:** no advertising cost and the role is filled in 1 week, but it creates a vacancy in the promoted employee's old junior role, which must itself be filled externally at an estimated cost of $1,200 over 4 weeks — an internal-route total of roughly $1,200. **External (direct hire):** $1,800 in advertising/agency fees, 5 weeks to fill, plus a $600 induction training cost, giving an external-route total of $1{,}800 + 600 = \$2{,}400$. The internal route is cheaper overall ($1,200 vs. $2,400) and fills the *supervisor* role itself faster (1 week vs. 5 weeks), although the backfilled junior role still takes 4 weeks either way — but the firm should also weigh the **motivational benefit** of promoting from within (Section 2.4.2), which this cost comparison alone does not capture.

Businesses also draw on a range of external **recruitment channels**: specialist **recruitment agencies** (charge a fee, but pre-screen candidates and can access passive job-seekers not actively browsing adverts), public **job centres** (low-cost, but a narrower/less specialised pool), **online job boards and professional networks**, and **employee referral schemes** (existing staff recommend candidates — often cheap and reasonably reliable, since employees stake their own reputation on the recommendation, though it risks narrowing diversity of applicants if used exclusively).

(!) Lỗi thường gặp: Recruitment and selection criteria must relate only to the **genuine requirements of the job** (skills, qualifications, experience). Using criteria unrelated to job performance — for example age, gender, ethnicity, religion or disability where these have no bearing on the role — is unlawful **discrimination** in most jurisdictions and exposes the business to legal and reputational risk, quite apart from the ethical case for fair, merit-based selection.

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Quy trình tuyển chọn: nộp đơn/CV → sàng lọc hồ sơ (shortlisting) → phỏng vấn/kiểm tra năng lực (aptitude/psychometric tests) → trung tâm đánh giá (assessment centres — kết hợp nhiều phương pháp, tốn kém hơn nhưng dự đoán hiệu suất công việc chính xác hơn) → kiểm tra tham chiếu (references) → ra quyết định tuyển dụng.

2.5 Training and development

2.5.1 Induction, on-the-job and off-the-job training

Induction training introduces a new employee to the business: its people, policies, health-and-safety procedures, culture and their specific role. It reduces early mistakes and anxiety, and speeds up the time it takes a new hire to reach full productivity.

On-the-job training takes place while the employee performs their actual job (e.g. shadowing an experienced colleague, coaching, mentoring, job rotation used as a training method). *Costs/benefits:* cheap (no external fees, no lost site time), directly relevant to the specific role and equipment used — but quality depends heavily on the skill and patience of whoever is training, and can disrupt normal output or transmit a colleague's bad habits.

Off-the-job training takes place away from the normal workplace (external courses, workshops, college qualifications, conferences). *Costs/benefits:* often higher quality and more specialised/theoretical, exposes staff to new ideas and outside best practice — but it is more expensive (course fees, travel) and involves lost working time while the employee is away from their normal duties.

Worked example: Training cost versus benefit

A firm runs an off-the-job training programme for 50 production staff at a one-off cost of $12,000 (trainer fees plus lost output during the training days). Before training, average productivity was 400 units per employee per month; after training, it rises to 460 units per employee per month.

$$\text{Extra output} = (460 - 400) \times 50 = \boxed{3{,}000 \text{ units per month}}$$

If each extra unit contributes \$5 of profit, the extra monthly profit contribution is $3{,}000 \times \$5 = \boxed{\$15{,}000}$. Since this exceeds the entire \$12,000 training cost within the very first month, and the productivity gain continues into every subsequent month, the training programme is clearly **financially worthwhile** — the payback period is under one month ($12{,}000/15{,}000 \approx 0.8$ months), after which the extra output is pure additional benefit (net of any small ongoing costs of maintaining the new skills).

Training also links directly to **motivation**: for Herzberg (Section 2.7.3), training and career development are **motivators** that satisfy the need for growth and can be part of job enrichment, while poor or absent training can itself become a source of dissatisfaction (frustration at being unable to do the job well). Well-designed training therefore tends to raise both **labour productivity** and staff **retention** (lower labour turnover, Section 2.7).

	On-the-job training	Off-the-job training
Typical cost	Low (no course fees; some lost supervisor time)	Higher (course/trainer fees, travel)
Relevance	Directly matches the firm's own equipment/processes	May be more general/theoretical
Disruption	Can interrupt normal output while training happens on-site	Employee is fully away from normal duties
Quality control	Depends heavily on the skill of the colleague/supervisor training	Often delivered by specialist trainers/institutions
Best suited to	Routine, firm-specific skills; onboarding new hires	Specialised, transferable or accredited qualifications

Table 2.1 — Comparing on-the-job and off-the-job training.

Many firms combine both, guided by a **training needs analysis**: comparing the skills employees currently have against the skills the business will need (linking directly to workforce planning, Section 2.3, and to gaps identified at **appraisal**, Section 2.6). Increasingly, firms also use **e-learning** (flexible, low marginal cost per additional learner, but requires self-discipline and lacks face-to-face interaction) and structured **mentoring** programmes (an experienced employee guides a less experienced one over an extended period — cheap and builds relationships, but quality depends entirely on the mentor's own skill and commitment).

Businesses should also **evaluate** whether training actually worked, rather than assuming it did simply because it was delivered. A widely-used framework evaluates training at four increasingly rigorous levels: did trainees **react** positively to the training (e.g. a feedback survey)? Did they actually **learn** the intended knowledge/skill (e.g. a test)? Did their on-the-job **behaviour** genuinely change afterwards? And did the training produce measurable business **results** (e.g. the productivity gain quantified in the worked example below)? Many businesses stop at the first, easiest level (a satisfaction survey) even though it is the weakest evidence that the training was worth its cost.

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Đào tạo hội nhập (induction) giúp nhân viên mới làm quen với công ty và vai trò của mình. Đào tạo tại chỗ (on-the-job) rẻ, sát thực tế công việc nhưng phụ thuộc vào chất lượng người hướng dẫn và có thể làm gián đoạn sản xuất; đào tạo ngoài công việc (off-the-job) chuyên sâu, tiếp cận ý tưởng/kỹ năng mới nhưng tốn chi phí và thời gian làm việc bị mất. Đào tạo tốt vừa nâng cao năng suất lao động, vừa là yếu tố tạo động lực (motivator) theo Herzberg.

2.6 Appraisal

2.6.1 Purpose and types of appraisal

Performance appraisal is the formal, regular review of an employee's work against agreed objectives, usually conducted by their line manager. Its purposes include: identifying training needs, informing decisions on promotion, reward and (where necessary) discipline, improving communication between manager and employee, and — when conducted constructively — improving motivation by recognising achievement (a link to Herzberg's **recognition** motivator).

Formative appraisal is an ongoing, developmental conversation focused on improving future performance — identifying strengths to build on and areas for development, typically without a formal numerical rating. **Summative appraisal** is a periodic (often annual) formal judgement of past performance against set targets, frequently linked directly to a pay review, bonus, or promotion decision. Many businesses use both: frequent informal/formative check-ins throughout the year, feeding into a less frequent, more formal summative review.

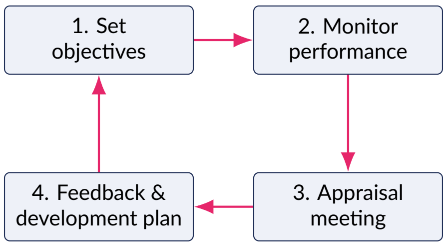

Figure 2.4 — The appraisal cycle: agreed objectives are monitored, formally reviewed, and turned into a feedback/development plan that feeds directly into the next cycle's objectives.

The appraisal cycle (Figure 2.4) is continuous: objectives agreed at the start of one cycle are monitored throughout the period, formally discussed at the appraisal meeting, and translated into specific feedback and a development plan (which may include identified **training needs**, Section 2.5) — which in turn shapes the objectives set for the next cycle. Appraisal that is skipped, rushed, or used only to criticise (rather than also to recognise achievement and plan development) tends to demotivate staff rather than improve performance.

Common appraisal **methods** include: **manager appraisal** (the traditional line-manager review); **self-appraisal** (the employee first assesses their own performance, encouraging reflection and reducing the sense that appraisal is something "done to" them); and **360-degree feedback**, which gathers structured input on an employee from their manager, peers, subordinates and sometimes customers, giving a fuller picture than a single manager's view alone (though it takes more time to administer and requires careful handling to avoid personal bias between colleagues). Many businesses also link appraisal to **management by objectives (MBO)**: manager and employee jointly agree specific, measurable objectives (cf. Locke's Goal-Setting Theory, Section 2.7.5) at the start of the cycle, which are then the direct basis for the next appraisal.

(!) Lỗi thường gặp: Appraisal is not simply "the annual pay-review meeting." A summative rating may inform a pay decision, but the appraisal system's deeper value lies in the ongoing (formative) feedback and development planning that helps the employee actually improve — a business that only ever appraises to justify pay decisions is likely to see appraisal treated with suspicion rather than as a genuine development tool.

Appraisal is also vulnerable to well-documented **rating biases**. The **halo effect** lets one strongly positive impression (e.g. a single impressive presentation) unfairly colour the rating of unrelated aspects of performance. **Recency bias** gives disproportionate weight to recent events (e.g. the last few weeks before the review) rather than performance across the whole appraisal period. **Central tendency bias** pushes a manager to rate nearly everyone as "average," avoiding the harder conversations that a genuinely high or low rating would require. Training appraisers to recognise these biases, use specific evidence rather than general impressions, and gather input from more than one source (cf. 360-degree feedback, above) all help produce fairer, more useful appraisals.

VN **GIẢI THÍCH TIẾNG VIỆT**

Đánh giá hiệu suất (appraisal) là quá trình xem xét định kỳ kết quả làm việc của nhân viên so với mục tiêu đã thống nhất. Formative appraisal tập trung phát triển liên tục (không nhất thiết có điểm số); summative appraisal là đánh giá chính thức định kỳ (thường gắn với lương/thưởng/thăng chức). Chu trình đánh giá: đặt mục tiêu → theo dõi hiệu suất → buổi đánh giá → phản hồi & kế hoạch phát triển → quay lại đặt mục tiêu mới — appraisal tốt vừa xác định nhu cầu đào tạo, vừa tạo động lực qua sự công nhận (recognition). Các thiên lệch thường gặp: halo effect (một ấn tượng tốt lấn át đánh giá tổng thể), recency bias (thiên vị theo sự kiện gần đây nhất), central tendency bias (đánh giá ai cũng "trung bình" để tránh đối thoại khó).

2.7 Motivation theories

Motivation is the internal drive that causes an employee to work willingly and effectively towards organisational goals. Higher motivation is generally linked to higher productivity, lower absenteeism and lower labour turnover, and therefore to lower unit labour costs.

2.7.1 Taylor's Scientific Management

Taylor argued that workers are motivated primarily by **money**. He proposed that management should scientifically analyse tasks, break work down into simple, standardised, repetitive steps that could be timed and optimised, closely supervise workers to ensure the "one best way" is followed, and pay a **piece rate** (a fixed amount per unit produced) to directly reward higher output. Taylor's approach was highly influential in early mass-production settings, but is criticised for ignoring workers' social and psychological needs and treating them as interchangeable, purely economically-motivated units.

Worked example: Piece-rate pay calculation

Under a piece-rate scheme paying $1.25 per completed unit, **Worker A** produces 480 units in a week and **Worker B** produces 320 units.

$$\text{Worker A's pay} = 480 \times \$1.25 = \boxed{\$600} \qquad \text{Worker B's pay} = 320 \times \$1.25 = \boxed{\$400}$$

This directly rewards Worker A's higher output with $200 more pay, illustrating Taylor's argument that a clear financial incentive drives higher productivity. It also illustrates a risk of pure piece-rate pay: Worker B earns $200 less purely from lower output, with no guaranteed minimum, which can create insecure, unpredictable income and may tempt either worker to prioritise **speed over quality**.

2.7.2 Mayo's Human Relations School and the Hawthorne Studies

Elton Mayo's Hawthorne Studies (conducted at the Hawthorne Works factory) initially set out to test how changes in physical working conditions (e.g. lighting levels) affected productivity. Unexpectedly, productivity rose almost regardless of whether conditions were made better *or* worse.

> Mayo concluded that the productivity gains came not from the physical changes themselves, but from the **social and psychological factors** surrounding the experiment: workers felt they were being paid **attention** to, worked in small **teams** with a strong sense of group identity, and experienced improved **communication** with management, who took a genuine interest in their opinions (later termed the "Hawthorne effect"). This founded the **Human Relations School** of management, which argues that social needs — belonging, recognition, being consulted and communicated with — affect productivity at least as much as physical working conditions or pay.

Mayo's findings anticipated Maslow's social/esteem needs and Herzberg's motivators (Sections 2.7.3, 2.7.4): they show that management **attention**, **teamworking** and open **communication** (Section 2.8) are not "soft" extras but can measurably raise productivity, providing an early empirical challenge to Taylor's purely money-based view of motivation.

> VN GIẢI THÍCH TIẾNG VIỆT
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> Nghiên cứu Hawthorne của Elton Mayo phát hiện rằng năng suất tăng lên không phải do thay đổi điều kiện vật chất (ánh sáng...), mà do các yếu tố xã hội — tâm lý: công nhân cảm thấy được *quan tâm*, làm việc theo nhóm có tinh thần gắn kết, và giao tiếp tốt hơn với quản lý. Đây là nền tảng của trường phái Quan hệ con người (Human Relations School), lần đầu tiên thách thức quan điểm của Taylor rằng tiền là động lực duy nhất.

2.7.3 Maslow's Hierarchy of Needs

Maslow proposed that people are motivated by their most pressing *unmet* need, arranged in a fixed order from lowest to highest: **physiological** (food, water, rest), **safety** (job security, safe working conditions), **social** (belonging, friendship, teamwork), **esteem** (recognition, status, respect), and **self-actualisation** (realising one's full potential). Once a lower-level need is reasonably satisfied, it stops motivating, and the next level up becomes the dominant motivator.

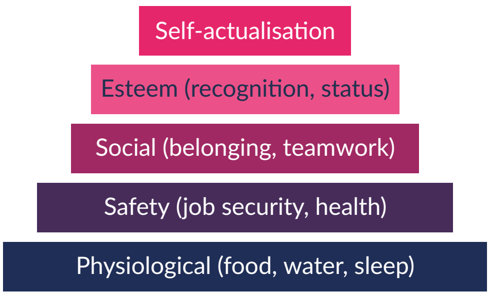

Figure 2.5 — Maslow's Hierarchy of Needs: lower needs must be reasonably satisfied before higher needs become the dominant motivator.

Worked example: Identifying the dominant Maslow level

A newly-hired warehouse worker is on a casual, zero-hours contract with no guarantee of shifts next week, and earns close to the legal minimum wage. When asked about work, they say their main daily concern is simply "earning enough this week to cover rent, and hoping I get scheduled again next week."

The worker's dominant unmet needs sit at the **physiological** level (basic income to cover essentials) and **safety** level (job security — the absence of guaranteed hours is a direct threat here). Higher-level needs such as social belonging, esteem/recognition, or self-actualisation are unlikely to motivate this worker *yet*, because — per Maslow — a lower level must be reasonably satisfied first. Management should therefore prioritise more predictable hours/income and basic job security before expecting initiatives such as "employee of the month" recognition schemes (an esteem-level reward) to have much motivational effect.

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Maslow cho rằng con người được thúc đẩy bởi nhu cầu *chưa được thoả mãn* gần nhất, theo thứ tự cố định: sinh lý (physiological) → an toàn (safety) → xã hội (social) → được tôn trọng (esteem) → tự thể hiện bản thân (self-actualisation). Khi một nhu cầu bậc thấp đã được thoả mãn tương đối, nó không còn tạo động lực nữa — nhu cầu bậc cao hơn liền kề sẽ trở thành động lực chính.

2.7.4 Herzberg's Two-Factor Theory

Herzberg distinguished between two separate sets of workplace factors. **Hygiene factors** — pay, working conditions, company policy and administration, job security, and the quality of supervision/relationship with one's manager — do not, on their own, motivate staff to work harder; but if they are *inadequate*, their absence causes active **dissatisfaction**. They must be adequately met just to avoid a demotivated workforce. Only **motivators** — achievement, recognition, (greater) responsibility, and personal growth, typically delivered through **job enrichment** — create genuine, positive job satisfaction and drive employees to put in extra effort.

Hygiene factors	Motivators
• Pay and benefits • Working conditions • Company policy • Job security • Quality of supervision	• Achievement • Recognition • Responsibility • Personal growth • Nature of the work itself
Prevent dissatisfaction *(do not motivate)*	*Create genuine* *job satisfaction*

Figure 2.6 — Herzberg's Two-Factor Theory: hygiene factors only prevent dissatisfaction, while motivators actively create job satisfaction.

Worked example: Classifying hygiene factors versus motivators

Classify each workplace change as a **hygiene factor** or a **motivator**: (a) an annual cost-of-living pay review; (b) public recognition of an employee's work at a team meeting; (c) a newly redecorated staff break room; (d) promoting an employee to team leader with genuine new decision-making responsibility; (e) a new, more comprehensive health-insurance policy.

(a) **Hygiene** — pay. (b) **Motivator** — recognition. (c) **Hygiene** — working conditions. (d) **Motivator** — responsibility (and likely achievement/growth). (e) **Hygiene** — a company policy/benefit. Note that (a), (c) and (e) will not, by themselves, actively motivate staff to work harder — they simply prevent dissatisfaction — while (b) and (d) are the changes actually likely to increase effort and engagement.

(!) Lỗi thường gặp: Do not confuse **job enrichment** (vertical: adding genuinely greater responsibility/challenge, directly targeting Herzberg's motivators) with **job enlargement** (horizontal: adding more tasks at a similar level of difficulty/skill, which relieves boredom but does not necessarily increase real responsibility).

VN GIẢI THÍCH TIẾNG VIỆT

Herzberg phân biệt yếu tố duy trì (hygiene factors — lương, điều kiện làm việc, chính sách công ty, an toàn việc làm, chất lượng giám sát) chỉ ngăn bất mãn chứ không tạo động lực, và yếu tố động viên thực sự (motivators — thành tựu, sự công nhận, trách nhiệm, cơ hội phát triển) mới thực sự tạo động lực làm việc, thường thông qua job enrichment (làm giàu công việc theo chiều dọc).

Theorist	Core idea	Practical implication for managers
Taylor	Workers are motivated primarily by money; break tasks into simple, standardised, timed steps	Pay piece rate; closely supervise; risks ignoring social/psychological needs
Mayo	Social/psychological factors (attention, teamwork, communication) raise productivity as much as pay or conditions	Build cohesive teams; consult staff; communicate openly (Hawthorne effect)
Maslow	People are motivated by their most pressing *unmet* need, in a fixed hierarchy	Meet lower needs (pay, security) first; then target belonging, esteem, growth
Herzberg	Hygiene factors prevent dissatisfaction; only motivators create real satisfaction	Keep hygiene factors adequate; drive motivation through job enrichment

Table 2.2 — Comparing the core motivation theories (see also McClelland and Locke, Sections 2.7.7–2.7.8, HL).

2.7.5 Rewards: financial and non-financial

Rewards used to motivate staff can be **financial** or **non-financial**.

Financial rewards include: a **time-based wage** (paid per hour worked, regardless of output — simple to administer and predictable for the employee, but rewards time spent rather than results); a **piece-rate wage** (paid per unit produced, Taylor's preferred method, Section 2.7.1); a **salary** (a fixed annual amount, usually paid monthly, typical for more senior/professional roles where output is harder to measure by the unit); **commission** (a percentage of sales value, common in sales roles, directly linking pay to results generated); **performance-related pay** (a bonus tied to meeting individual or team targets, cf. Locke's Goal-Setting Theory, Section 2.7.8); **profit-sharing** (a portion of company profit distributed among employees, intended to align staff interests with overall company success); and **share-ownership schemes** (employees receive or can buy company shares, again aligning employee and shareholder interests over the longer term). **Non-financial rewards** include **job enrichment** (adding more challenging, meaningful tasks and genuine responsibility — a vertical increase in challenge), **job enlargement** (adding more tasks at a similar skill level — horizontal variety without necessarily adding challenge), **job rotation** (moving staff between different tasks to reduce monotony and build varied skills), **empowerment** (giving staff genuine decision-making authority over their own work), teamworking, and training/career development opportunities (Sections 2.5, 2.3.3).

(!) Lỗi thường gặp: A reward scheme should fit the theory of motivation actually driving the workforce in question. A purely commission-based scheme aimed at highly collectivist, teamoriented staff (cf. Hofstede, Section 2.9.2) may create damaging internal competition rather than motivation; conversely, offering only team-based profit-sharing to a workforce with a strong individual need for achievement (cf. McClelland's nAch, Section 2.7.7) may feel like it dilutes personal recognition for individual effort.

Worked example: Labour turnover and labour productivity

A factory employs an average of 220 staff during the year; 33 employees left during that period.

$$\text{Labour turnover rate} = \frac{\text{Number leaving}}{\text{Average number employed}} \times 100 = \frac{33}{220} \times 100 = \boxed{15\%}$$

The same factory produces 24,000 units per month with 60 employees.

$$\text{Labour productivity} = \frac{\text{Output}}{\text{Number of employees}} = \frac{24{,}000}{60} = \boxed{400 \text{ units per employee, per month}}$$

If, after a job enrichment programme, the same 60 employees produce 27,600 units the following month, productivity rises to $27{,}600/60 = 460$ units per employee — a $\frac{460-400}{400} \times 100 = \boxed{15\%}$ increase in labour productivity, which (if unit labour cost is otherwise unchanged) directly lowers unit labour cost.

Worked example: Comparing labour productivity between two factories

Factory X produces 45,000 units per month with 150 employees. **Factory Y** produces 38,400 units per month with 120 employees.

$$\text{Factory X productivity} = \frac{45{,}000}{150} = \boxed{300 \text{ units/employee}} \qquad \text{Factory Y productivity} = \frac{38{,}400}{120} = \boxed{320 \text{ units/en}}$$

Although Factory X produces a larger *total* output, Factory Y is actually the more **labour-productive** of the two, generating 20 more units per employee each month with a smaller workforce. This matters because, if wages per employee are similar in both factories, Factory Y's unit labour cost will be lower — total output alone can be a misleading measure of efficiency without dividing by the number of employees used to produce it.

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Phần thưởng tài chính (financial rewards): lương cơ bản, lương theo sản phẩm (piece rate), hoa hồng, lương theo hiệu suất, chia lợi nhuận, sở hữu cổ phần. Phần thưởng phi tài chính (non-financial): job enrichment (làm giàu công việc — tăng trách nhiệm), job enlargement (mở rộng công việc — thêm việc cùng mức), job rotation (luân chuyển công việc), empowerment (trao quyền quyết định), làm việc nhóm, đào tạo/phát triển sự nghiệp. Năng suất lao động (labour productivity) = sản lượng ÷ số nhân viên — cần so sánh năng suất trên đầu người, không chỉ tổng sản lượng.

2.7.6 [HL] McClelland's Acquired Needs Theory

[HL] McClelland's Acquired Needs Theory identifies three learned needs whose relative strength varies between individuals: need for **achievement** (nAch — driven by challenging goals, personal accomplishment and measurable success), need for **affiliation** (nAff — driven by harmonious relationships, teamwork and a sense of belonging), and need for **power** (nPow — driven by influence, status and control over others or outcomes). Effective managers try to match tasks, teams and rewards to each employee's dominant need rather than assuming everyone is motivated the same way.

Worked example: [HL] Identifying the dominant McClelland need

Three employees are offered the same new project. **Employee 1** asks whether the project has a clear, challenging, individually-measurable target they can be judged against. **Employee 2** asks who else will be on the team and whether the group gets on well together, showing little interest in individual credit. **Employee 3** asks whether the role comes with authority over budget decisions and other staff.

Employee 1's focus on a challenging, measurable personal target indicates a dominant need for **achievement (nAch)**. Employee 2's focus on team harmony and group belonging indicates a dominant need for **affiliation (nAff)**. Employee 3's focus on authority and control indicates a dominant need for **power (nPow)**. A manager should therefore emphasise individual stretch targets and feedback for Employee 1, team-based framing and collaborative working for Employee 2, and a genuine leadership/decision-making role for Employee 3.

2.7.7 [HL] Locke's Goal-Setting Theory

[HL] Locke's Goal-Setting Theory argues that **specific, challenging but achievable** goals, combined with regular, constructive **feedback**, increase motivation and performance significantly more than a vague "do your best" instruction — because a clear goal focuses effort and provides a concrete benchmark against which an employee can feel a genuine sense of accomplishment.

Worked example: [HL] Locke's Goal-Setting Theory applied

Sales rep A is simply told to "try to sell as much as you can this quarter," with no scheduled check-ins. **Sales rep B** is given a specific target of increasing quarterly sales from $40,000 to $46,000 (a $\frac{46{,}000 - 40{,}000}{40{,}000} \times 100 = \boxed{15\%}$ increase) and has a fortnightly progress meeting with their manager to discuss what is working and adjust their approach.

Locke's theory predicts **Sales rep B** will outperform Sales rep A: the specific, quantified, achievable-but-stretching $46,000 target focuses effort precisely, gives a clear benchmark for measuring progress and success, and the regular feedback lets Rep B correct course early and stay engaged — whereas Rep A's vague instruction gives no concrete standard against which to judge (or feel proud of) their own performance.

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[HL] McClelland: ba nhu cầu học được khác nhau ở mỗi cá nhân — thành tựu (nAch, thích mục tiêu thách thức, đo lường được), gắn kết (nAff, thích làm việc nhóm hoà thuận), quyền lực (nPow, thích ảnh hưởng/kiểm soát). Locke: mục tiêu cụ thể, thách thức nhưng khả thi, kết hợp phản hồi thường xuyên, tạo động lực mạnh hơn nhiều so với lời khuyên chung chung như "cố gắng hết sức."

2.8 Communication

Effective communication ensures information, instructions and feedback flow accurately between managers and staff, and between departments. **Formal communication** follows official channels — written (memos, reports, emails, contracts), verbal (scheduled meetings, briefings) or visual (charts, presentations, diagrams) — and is easy to record and verify, but can be slower and more rigid. **Informal communication** (casual conversation, the "grapevine") is fast and can build relationships and trust, but is prone to distortion, rumour, and bypassing the people who actually need the information.

> **Written** channels (email, reports, contracts) give a permanent, precise record that can be checked later, but take time to prepare and give no immediate confirmation of understanding. **Verbal** channels (face-to-face conversation, phone calls, meetings) allow tone, emphasis and immediate clarification, building rapport quickly, but leave no automatic record and can be misremembered or, across languages, mistranslated. **Visual** channels (charts, graphs, diagrams, dashboards) communicate complex quantitative information rapidly and memorably, but cannot convey nuance or answer follow-up questions on their own. Effective managers deliberately match the channel to the message: a sensitive personnel matter merits a private, verbal conversation; a complex policy change merits a clear written document that staff can refer back to; a quarterly performance trend is best shown visually.

> Communication can also be **one-way** (e.g. an announcement or memo, with no immediate opportunity for feedback) — fast to deliver, but there is no way to verify the message was understood correctly, and staff may feel uninvolved, reducing motivation. It can instead be **two-way** (e.g. a discussion, briefing with Q&A, or appraisal meeting) — slower, since it requires gathering and processing responses, but it allows clarification, surfaces problems early, and generally produces both better understanding *and* higher motivation (staff feel heard) than a purely one-way message. Faster decisions often favour one-way communication; better-quality, better-accepted decisions often favour two-way communication.

> Common **barriers to communication** include: **information overload** (too much information for the receiver to process effectively); an **inappropriate channel** for the message (e.g. a complex technical issue sent by a brief text message, or an emotionally sensitive matter announced impersonally); physical/geographic **distance** (e.g. across time zones in a multinational); **language or cultural differences** (especially across an MNC); and general "**noise**" — distractions, jargon, or distrust between sender and receiver that distorts the intended meaning. Barriers are reduced by choosing an appropriate channel for the message, actively encouraging two-way feedback, and keeping the message itself simple and clear.

Consider a regional manager in an MNC's Southeast Asian office who sends a brief, direct email instructing local staff to change a long-standing process immediately, without explanation; staff quietly continue the old process and productivity does not improve. The likely barrier is a mismatch between a **low-context, direct communication style** (typical of some Western corporate cultures) and a local culture that expects more relationship-based, explained, face-to-face communication before accepting a major change — compounded by **one-way communication** that gave staff no opportunity to ask questions or raise concerns. Switching to **two-way communication** (a meeting or discussion explaining the reasons for the change and inviting questions) that respects local cultural norms around hierarchy and relationship-building (cf. Hofstede's power distance, Section 2.9.2) is far more likely to secure genuine compliance.

> Modern workplaces face an additional, growing barrier: **digital information overload**. Constant emails, instant-messaging notifications and meeting invitations can bury the message that actually matters, train staff to skim rather than read carefully, and blur the boundary between work and personal time (raising stress and, ultimately, hurting the very productivity the communication was meant to support). Firms increasingly manage this through clearer channel norms (e.g. "urgent matters by phone/in person, routine updates by email"), meeting-free periods, and training staff to write more concise messages.

Remote and virtual teams (common in MNCs and increasingly in domestic firms too) face their own communication barriers: the loss of informal, in-person "corridor conversations" that build trust and quickly resolve minor misunderstandings; time-zone differences that turn a same-day discussion into a multi-day email chain; and the loss of body language/tone cues, which raises the risk that a brief written message is misread as curt or hostile. Firms manage this through scheduled video calls (recovering some face-to-face cues), clear written norms for urgent versus routine matters, and deliberately building in time for informal team interaction rather than assuming it will happen naturally, as it might in a shared physical office.

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Giao tiếp chính thức (formal) đi theo kênh chính thức (văn bản/lời nói/hình ảnh), dễ lưu trữ nhưng có thể chậm; giao tiếp phi chính thức (informal/"grapevine") nhanh nhưng dễ sai lệch thông tin. Giao tiếp một chiều (one-way) nhanh nhưng không xác nhận được người nhận có hiểu đúng và làm giảm động lực; hai chiều (two-way) chậm hơn nhưng cho phép phản hồi/làm rõ, thường hiệu quả và tạo động lực hơn. Rào cản giao tiếp phổ biến: quá tải thông tin, sai kênh truyền tải, khoảng cách địa lý, khác biệt ngôn ngữ/văn hoá; đội nhóm làm việc từ xa (remote/virtual teams) đối mặt thêm rào cản múi giờ và thiếu ngôn ngữ cơ thể/giọng điệu khi giao tiếp qua văn bản.

2.9 Organisational (corporate) culture [HL only]

[HL] Organisational (corporate) culture is "the way things are done around here" — the shared values, beliefs, norms and expected behaviours within a business, shaped by its history, founders/leadership, size, and the nature of its work. Culture strongly affects how decisions are made, how staff are motivated, and how easily change can be introduced.

2.9.1 [HL] Handy's culture types

Power culture — authority is concentrated in one central figure or small group; decisions are made quickly and informally, common in small, founder-led or entrepreneurial firms (e.g. a start-up run by its founder), but the business is highly dependent on that individual's judgement and can struggle to scale.

Role culture — bureaucratic and rule-based, with clearly defined job roles, procedures and hierarchies (e.g. a large government agency or long-established insurance company); provides consistency, predictability and clear accountability, but can be slow to adapt to a changing environment.

Task culture — flexible, project- or team-based, with authority following expertise rather than job title (e.g. a technology start-up or consultancy organised around client projects); suits fast-changing, innovative environments and motivates skilled staff who value autonomy, but can create unclear, overlapping lines of accountability.

Person culture — individual professionals are valued above the organisation itself (e.g. a partnership of doctors, lawyers, architects or consultants who largely run their own practice, sharing shared infrastructure); the "organisation" exists mainly to support its individual members, so it is difficult to manage as a single, unified whole or to enforce shared strategic direction.

No single culture is inherently "correct" — each fits certain circumstances and creates predictable risks in others. A **power culture** lets a young business move fast while the founder's judgement remains sound, but growth eventually outpaces any one individual's capacity to make every decision personally. A **role culture** serves organisations (regulators, large administrative bodies) where consistent, fair, rule-based treatment matters more than speed. A **task culture** suits environments of constant change and genuine specialist expertise, at the cost of clarity over who is ultimately accountable for a given outcome. A **person culture** works only for organisations built around individually prominent professionals — it is very difficult to redirect toward a single shared corporate strategy, since the "organisation" has limited authority over its own members.

(!) Lỗi thường gặp: Culture is not fixed forever. A business can begin with a **power culture** under a founder, drift toward a **role culture** as it grows and standardises procedures, and later attempt to inject elements of a **task culture** to regain innovation and speed — mergers, rapid growth, and change in leadership are common triggers for a shift in dominant culture, and mismatches between the desired and the actual culture are a frequent, underestimated cause of failed corporate strategy.

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[HL] Văn hoá doanh nghiệp theo Handy: Power (quyền lực tập trung ở một cá nhân/nhóm nhỏ — công ty khởi nghiệp do người sáng lập điều hành), Role (quan liêu, vai trò/quy trình rõ ràng — cơ quan nhà nước, công ty bảo hiểm lâu đời), Task (theo dự án, linh hoạt, quyền lực theo chuyên môn — công ty công nghệ/tư vấn), Person (cá nhân chuyên gia quan trọng hơn tổ chức — công ty luật sư/bác sĩ hợp danh).

2.9.2 [HL] Hofstede's cultural dimensions

Hofstede's cultural dimensions explain how *national* culture shapes management practice and employee expectations — especially important for a multinational company (MNC) managing staff across many countries, where a management approach that works well in one national culture can fail, or even backfire, in another.

Power distance — the degree to which unequal distribution of authority is accepted (a high power-distance culture accepts large hierarchical gaps and expects deference to superiors; a low power-distance culture expects more consultation and is comfortable with staff questioning managers).
Individualism vs. collectivism — whether people primarily identify as independent individuals pursuing personal goals, or as members of a tight-knit group/team whose collective goals come first.
Masculinity vs. femininity — the degree of emphasis on achievement, competition and material success versus quality of life, cooperation and caring for others.
Uncertainty avoidance — the degree of comfort with ambiguity, risk and unstructured situations (high uncertainty-avoidance cultures prefer clear rules and predictability; low uncertainty-avoidance cultures tolerate ambiguity more comfortably).
Long-term vs. short-term orientation — emphasis on long-term perseverance, thrift and adaptation to changing circumstances, versus a focus on quick results, tradition and the present.

The dimensions also shape day-to-day HR practice beyond leadership style. In a culture with **high uncertainty avoidance**, employees often prefer detailed job descriptions, clear rules and formal contracts, and may find an ambiguous, fast-changing task culture (Section 2.9.1) stressful rather than exciting; in a culture with **low uncertainty avoidance**, staff are typically more comfortable with informal arrangements and last-minute change. In a more **masculine** (achievement/competition-oriented) culture, individual performance-related pay and public rankings of top performers tend to motivate strongly; in a more **feminine** (quality-of-life/cooperation-oriented) culture, the same public ranking can feel uncomfortably confrontational, and flexible working arrangements or team wellbeing initiatives may motivate more effectively. An MNC's appraisal system (Section 2.6), recruitment criteria (Section 2.4) and reward structure (Section 2.7.6) therefore often need genuine local adaptation, not just translation of the head-office version into the local language.

(!) Lỗi thường gặp: Hofstede's dimensions describe *average tendencies* across a national population, not a fixed rule for every individual within that country. Assuming every employee from a "high power-distance" country will personally prefer an autocratic manager is a stereotype, not an application of the theory — real teams contain a wide range of individual preferences, and Hofstede's dimensions are best used as a starting hypothesis to test and refine through direct observation and dialogue with local staff, not as a rigid script.

VN GIẢI THÍCH TIẾNG VIỆT

Hofstede nghiên cứu văn hoá QUỐC GIA ảnh hưởng đến cách quản lý — quan trọng với các công ty đa quốc gia (MNC) khi quản lý nhân viên ở nhiều nước khác nhau. Power distance (khoảng cách quyền lực): mức độ chấp nhận bất bình đẳng quyền lực. Individualism vs collectivism: đề cao cá nhân hay tập thể. Masculinity vs femininity: đề cao thành tích/cạnh tranh hay chất lượng cuộc sống/hợp tác. Uncertainty avoidance: mức độ thoải mái với sự mơ hồ/rủi ro. Long-term vs short-term orientation: định hướng dài hạn hay ngắn hạn. Phong cách quản lý phù hợp ở nước này có thể không phù hợp ở nước khác.

2.10 Industrial and employee relations [HL only]

[HL] Trade unions represent employees' collective interests, negotiating with management through **collective bargaining** over pay, working conditions and job security — giving individual employees far greater bargaining power than negotiating alone, though a strong union can also raise labour costs and reduce management's flexibility to change working practices unilaterally.

Collective bargaining can take place at different levels: **single-employer bargaining** (a union negotiates directly with one company, tailoring the agreement closely to that firm's circumstances) or **multi-employer/sector-level bargaining** (a union negotiates a common agreement covering all employers in an industry, reducing the risk that any single employer can undercut pay/conditions to compete, but leaving less room for an individual firm's specific situation). Employee representation itself can also take several forms besides a trade union: a **works council** (a body of elected employee representatives that management must inform/consult on major decisions, without necessarily having full bargaining power over pay) and a **staff association** (an in-house employee representative body, often used where no external trade union is recognised).

2.10.1 [HL] Dispute resolution

When disputes between management and employees/unions arise, three main forms of third-party assistance exist:
Conciliation — a neutral third party helps both sides communicate and find common ground, *without* proposing a solution of their own.
Mediation — a neutral third party actively proposes a solution, but it is **not binding** — either side may reject it and pursue other options.
Arbitration — a neutral third party makes a decision that both sides have agreed *in advance* to accept; this can be **binding** (legally enforceable) or non-binding.

If a dispute remains unresolved, employees may escalate to **industrial action**: a **strike** (complete withdrawal of labour — the strongest form of pressure, but employees lose pay and the business loses output/reputation), **work-to-rule** (doing only the minimum required by the employment contract, no more, slowing operations without a full stoppage), an **overtime ban** (refusing to work beyond contracted hours), or a **go-slow** (deliberately working at a reduced pace) — each escalating pressure on the employer while employees themselves bear a real cost (lost pay, reputational risk, and possible strain on customer relationships).

Worked example: [HL] A full dispute-resolution case

A car-parts factory's management proposes a 5% pay cut, citing falling orders; its trade union rejects the cut outright and threatens strike action.

Stage 1 — Conciliation: both sides first meet with a neutral conciliator, who simply helps them communicate; no solution is proposed, but each side better understands the other's constraints (management's falling order book; the union's concern for members' living standards).

Stage 2 — Mediation: talks stall, so a mediator proposes a compromise — a temporary 2% pay cut for 6 months, reviewed against order volumes. The union rejects this non-binding proposal as insufficient, since it is not obliged to accept it.

Stage 3 — Arbitration: to avoid a costly strike, both sides agree in advance to accept the ruling of a neutral, pre-agreed industry arbitration panel. The panel rules in favour of a 3% temporary pay cut for 6 months. Because both sides pre-agreed to accept the panel's ruling, this is **binding arbitration** and the dispute is resolved without a strike, at the cost of losing full control over the exact final outcome to an external party.

2.10.2 [HL] Employee participation

Proactive **employee participation** — works councils, staff representatives on management committees, regular consultation and staff surveys — can build trust and resolve concerns *before* they escalate into formal disputes, reducing the likelihood of costly industrial action for both employer and employees, and often improving motivation by giving staff a genuine voice in decisions that affect them (a link to democratic leadership, Section 2.2.2, and two-way communication, Section 2.8).

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Công đoàn (trade union) đại diện thương lượng tập thể (collective bargaining) cho người lao động. Khi tranh chấp xảy ra: conciliation (hoà giải — giúp hai bên đối thoại, không đề xuất giải pháp) → mediation (trung gian — đề xuất giải pháp nhưng không ràng buộc) → arbitration (trọng tài — ra quyết định có thể ràng buộc nếu hai bên đã đồng ý trước). Nếu không giải quyết được, người lao động có thể đình công (strike), làm việc đúng quy định tối thiểu (work-to-rule), từ chối làm thêm giờ (overtime ban), hoặc làm việc chậm lại (go-slow). Employee participation (hội đồng lao động, đại diện nhân viên) giúp ngăn tranh chấp leo thang ngay từ đầu.

2.11 Practice problems

Bài tập luyện tập

A company has 1 CEO, 3 regional managers reporting to the CEO, and 30 store managers split evenly among the 3 regional managers. Calculate the span of control of each regional manager and the number of levels of hierarchy (including the CEO).

Lời giải chi tiết

Span of control $= \frac{30}{3} = \boxed{10}$ store managers per regional manager.

Levels of hierarchy $= \boxed{3}$: CEO → regional managers → store managers.

Bài tập luyện tập

In 2025 a factory employing an average of 180 staff had 45 employees leave. Calculate the labour turnover rate and comment on whether it is a concern compared with an industry average of 12%.

Lời giải chi tiết

Labour turnover $= \frac{45}{180} \times 100 = \boxed{25\%}$.

This is more than double the 12% industry average — a significant concern, suggesting higher recruitment and training costs, possible loss of institutional knowledge, and it may indicate low motivation, poor pay, or weak leadership that management should investigate further.

Bài tập luyện tập

A factory produces 18,000 units per month with 45 employees. After introducing a job rotation scheme, the same 45 employees produce 20,250 units the following month. Calculate labour productivity before and after the change, and the percentage change.

Lời giải chi tiết

Before: $\frac{18{,}000}{45} = 400$ units/employee. After: $\frac{20{,}250}{45} = 450$ units/employee.

Percentage change $= \frac{450 - 400}{400} \times 100 = \boxed{+12.5\%}$ — labour productivity rose 12.5%, which (holding wages constant) reduces unit labour cost and should improve competitiveness.

Bài tập luyện tập

Under a piece-rate scheme paying \$0.90 per unit, an employee produces 640 units in a week. Calculate their weekly pay, and state **one** risk of relying purely on piece-rate pay.

Lời giải chi tiết

Weekly pay $= 640 \times \$0.90 = \boxed{\$576}$.

Risk: pure piece-rate pay can encourage staff to prioritise speed over quality (raising defect/error rates) and creates unpredictable income for the employee, since pay falls whenever output falls for reasons outside their control (e.g. machine downtime, material shortages).

Bài tập luyện tập

A firm's redundancy policy pays 1.5 weeks' wages per completed year of service. An employee earning \$800 per week is made redundant after 6 completed years of service. Calculate their redundancy pay.

Lời giải chi tiết

Redundancy pay $= 1.5 \times 6 \times \$800 = 9 \times \$800 = \boxed{\$7{,}200}$.

Bài tập luyện tập

A retailer currently employs 250 staff. It expects 10 resignations and 5 retirements over the next year with no other internal changes, while a planned store expansion requires a workforce of 270. Calculate the forecast internal supply of labour and the resulting gap, and state **one** way to close it.

Lời giải chi tiết

Forecast internal supply $= 250 - 10 - 5 = \boxed{235}$.

Gap $= 270 - 235 = \boxed{\text{35 staff shortage}}$.

The retailer could close this gap through external recruitment, training/upskilling existing part-time staff into full roles, offering overtime in the short term, or redeploying staff from a quieter branch.

Bài tập luyện tập

A company has 1 CEO, 5 department heads, and 60 staff split evenly among the department heads. After delayering removes the department-head layer entirely (staff now report directly to the CEO), calculate the CEO's new span of control and state **one** likely consequence of this change.

Lời giải chi tiết

New span of control of the CEO $= \dfrac{60}{1} = \boxed{60}$ direct reports (up from 5 department heads previously).

Likely consequence: the CEO will find it very difficult to meaningfully supervise, support and communicate with 60 direct reports, risking a loss of control, slower decisions on operational issues that used to be resolved by department heads, and potential employee frustration at reduced access to management guidance — despite the intended cost savings and faster top-level decision-making that delayering is meant to achieve.

Bài tập luyện tập

A retail chain is filling a store-manager vacancy. Explain **one** advantage and **one** disadvantage of recruiting internally rather than externally for this role.

Lời giải chi tiết

Advantage: the internal candidate is a known quantity (proven performance record, already understands company culture/systems), and promoting from within motivates other staff by demonstrating a genuine career pathway, while also being cheaper and faster than an external search.

Disadvantage: internal recruitment brings no new external skills/perspective into the role, and creates a new vacancy in the promoted employee's previous position that must itself now be filled — potentially just shifting the recruitment problem rather than solving it.

Bài tập luyện tập

Distinguish between a **job description** and a **person specification**, and explain why a business should produce both before advertising a vacancy.

Lời giải chi tiết

A **job description** sets out the duties, responsibilities and reporting line of the role itself. A **person specification** sets out the skills, qualifications, experience and personal attributes required of the ideal candidate for that role.

Producing both before advertising ensures the vacancy is advertised accurately (attracting suitable applicants and discouraging unsuitable ones), gives a fair and consistent standard against which to shortlist and interview every candidate, and later provides the basis for that employee's induction, training plan and performance appraisal.

Bài tập luyện tập

A firm is deciding between an **interview**, an **aptitude test**, and an **assessment centre** to select a new operations manager. Explain **one** advantage of using an assessment centre over a single interview.

Lời giải chi tiết

An assessment centre combines several methods (group exercises, presentations, in-tray simulations, interviews) over one or more days, allowing the employer to observe a candidate's behaviour under realistic, varied conditions rather than relying on a single, relatively brief and subjective conversation. This typically makes it a stronger predictor of actual on-the-job performance than a single interview, even though it is more expensive and time-consuming to run.

Bài tập luyện tập

According to Herzberg's Two-Factor Theory, which of the following is a **hygiene factor** rather than a motivator?

(A) Recognition for achievement
(B) Increased responsibility
(C) Company policy and administration
(D) Opportunity for personal growth

Lời giải chi tiết

Hygiene factors relate to the *context* of the job (pay, conditions, policy, supervision) and only prevent dissatisfaction. Motivators relate to the *content* of the job (achievement, responsibility, growth, recognition). **Company policy and administration** is a hygiene factor. **(C)**.

Bài tập luyện tập

A firm gives all production staff a market-rate salary and safe, modern facilities, yet a recent survey shows most staff feel bored and undervalued. Using Herzberg's theory, explain why simply raising pay further is unlikely to solve this problem.

Lời giải chi tiết

Pay and physical working conditions are **hygiene factors**: since they are already adequate, they are not the cause of the current dissatisfaction, and raising them further cannot create positive motivation because hygiene factors do not act as motivators. The staff's boredom and feeling of being undervalued point to a lack of **motivators** — achievement, recognition, responsibility and growth — so the firm should instead introduce **job enrichment** (greater genuine responsibility/challenge) and recognise good work directly, rather than raising pay, which targets the wrong set of factors entirely.

Bài tập luyện tập

Explain, using Maslow's Hierarchy of Needs, why simply increasing an already well-paid employee's salary is unlikely to significantly increase their motivation if their real frustration is a lack of recognition and challenging work.

Lời giải chi tiết

Maslow argues employees are motivated by their most pressing *unmet* need. If pay is already adequate, the employee's **physiological and safety needs** (and likely social needs) are reasonably satisfied, so more money targets a need that is no longer the dominant motivator. Their actual frustration — lack of recognition — sits at the **esteem** level of the hierarchy, so only rewards that directly address esteem (public recognition, promotion, greater status/responsibility) are likely to significantly increase motivation; the pay rise addresses the wrong level of need.

Bài tập luyện tập

Explain **one** finding of Elton Mayo's Hawthorne Studies and **one** way it challenged Taylor's Scientific Management.

Lời giải chi tiết

Mayo found that productivity rose when workers received more management **attention**, worked in cohesive small **teams**, and experienced better **communication** with management — regardless of whether physical conditions (e.g. lighting) were actually improved or worsened.

This challenged Taylor's view that money is the primary (or only) motivator: Mayo showed that **social and psychological** factors — being consulted, feeling valued, belonging to a team — can raise productivity at least as much as financial incentives or physical conditions, founding the Human Relations School of management.

Bài tập luyện tập

Identify whether each scenario is an example of **job enrichment** or **job enlargement**: (a) a call-centre worker is now also asked to process returns and update customer records, at a similarly routine skill level; (b) a junior analyst is given ownership of an entire client project, including client-facing decisions previously made only by senior staff.

Lời giải chi tiết

(a) **Job enlargement** — more tasks have been added, but at a similar level of skill/challenge (horizontal variety), without a meaningful increase in responsibility.

(b) **Job enrichment** — the analyst has been given genuinely greater responsibility and decision-making authority (a vertical increase in challenge), which directly targets Herzberg's motivators (achievement, responsibility, recognition).

Bài tập luyện tập

A company employing an average of 300 staff had 60 employees leave last year and expects a similar rate this year. Each departure costs the company an estimated $4,500 in recruitment and training. Calculate last year's labour turnover rate and the total annual cost of that turnover.

Lời giải chi tiết

Labour turnover $= \frac{60}{300} \times 100 = \boxed{20\%}$.

Total annual cost $= 60 \times \$4{,}500 = \boxed{\$270{,}000}$ — a substantial recurring cost that strongly justifies management investigating and addressing the underlying causes of turnover (e.g. pay, leadership style, working conditions).

Bài tập luyện tập

[HL] A new junior employee is given a specific, challenging sales target for the quarter along with weekly one-to-one feedback sessions with their manager, rather than simply being told to "try their best." Which motivation theory does this best illustrate, and why?

Lời giải chi tiết

This illustrates **Locke's Goal-Setting Theory**. Locke argues that **specific, challenging but achievable** goals combined with regular **feedback** increase motivation and performance far more than a vague instruction such as "try your best," because a clear, concrete target focuses effort and provides a measurable benchmark for a genuine sense of accomplishment, while frequent feedback lets the employee adjust their approach and stay engaged with progress toward the goal.

Bài tập luyện tập

A logistics company is deciding whether to keep its customer-service function in-house or outsource it to a specialist call-centre provider in another country. State **one** potential benefit and **one** potential risk of outsourcing (offshoring) this function.

Lời giải chi tiết

Benefit: outsourcing to a specialist provider (often in a lower-wage country) can significantly reduce labour and operating costs, while accessing a provider that already has trained staff and established systems, avoiding the fixed cost of building an in-house department.

Risk: loss of direct control over service quality and consistency, potential communication/-cultural/language barriers with an offshore team affecting customer experience, and risk to confidential customer data being handled by a third party in a different regulatory jurisdiction.

Bài tập luyện tập

A hospital adopts an autocratic leadership style for all decisions, including routine, non-urgent administrative matters where experienced staff have relevant expertise. Explain **one** problem this may cause.

Lời giải chi tiết

Applying an **autocratic** style to routine matters where staff already have relevant expertise is likely to **demotivate** experienced employees, who may feel their knowledge and judgement are not valued or used, reducing job satisfaction and potentially increasing staff turnover; it may also slow down decisions unnecessarily by centralising minor choices with senior managers, rather than empowering capable staff to resolve routine issues themselves (a more consultative or laissez-faire approach would likely be more appropriate outside genuine emergencies).

Bài tập luyện tập

A retailer wants staff to feel more ownership over customer complaints instead of always escalating them to a supervisor. Which non-financial motivational technique best describes giving staff the authority to resolve complaints (e.g. issue refunds) themselves?

(A) Job rotation
(B) Empowerment
(C) Job enlargement
(D) Fringe benefits

Lời giải chi tiết

Giving staff genuine decision-making authority over their own work (e.g. the power to resolve a complaint without escalation) is the definition of **empowerment**. **(B)**.

Bài tập luyện tập

Explain the difference between **redundancy** and **dismissal**, and state which one is more likely to require the business to later refill the vacated role.

Lời giải chi tiết

Redundancy is the permanent removal of a role because the business no longer needs it (e.g. falling demand, automation, restructuring) — it is not a judgement on the individual employee. **Dismissal** is the termination of an individual's employment for a specific personal reason (e.g. misconduct, persistently poor performance).

Dismissal is more likely to require the role to be refilled, since the role itself usually continues to exist — the business dismissed the person, not the job; with redundancy, the role itself has been eliminated and normally will not be refilled.

Bài tập luyện tập

A firm spends $12,000 on an off-the-job training programme for 40 staff, raising average productivity from 350 to 400 units per employee per month. If each additional unit generates $4 of profit, calculate the extra monthly profit generated and state whether the training was worthwhile.

Lời giải chi tiết

Extra output $= (400 - 350) \times 40 = \boxed{2{,}000}$ units per month.

Extra monthly profit $= 2{,}000 \times \$4 = \boxed{\$8{,}000}$.

Since \$8,000 of extra profit is generated *every month* following the training, the one-off \$12,000 cost is recovered in under two months ($12{,}000/8{,}000 = 1.5$ months), after which the training continues to generate ongoing extra profit — the programme is clearly **financially worthwhile**.

Bài tập luyện tập

Distinguish between **formative** and **summative** appraisal, and explain why a business might want to use both rather than just one.

Lời giải chi tiết

Formative appraisal is an ongoing, developmental conversation focused on improving future performance, typically without a formal rating. **Summative appraisal** is a periodic, formal judgement of past performance against targets, often linked directly to pay, bonus or promotion decisions.

Using both allows a business to give employees frequent, low-stakes developmental feedback throughout the year (formative) that genuinely helps them improve, while still holding a less frequent, more formal review (summative) to make fair, evidence-based reward and promotion decisions — relying only on summative appraisal risks employees receiving too little day-to-day guidance, while relying only on formative appraisal gives no clear, periodic basis for reward decisions.

Bài tập luyện tập

[HL] A fast-growing tech start-up organises staff into flexible project teams that disband and reform as new client projects arise, with authority based on expertise rather than job title. Identify the Handy culture type shown and give one reason it suits this business.

Lời giải chi tiết

This is a **task culture**. It suits the business because project teams need to form and reform quickly around changing client needs, and decision-making by expertise (rather than hierarchy) speeds up problem-solving and motivates highly skilled staff who value autonomy.

Bài tập luyện tập

A manager in a low power-distance culture is used to staff openly questioning her decisions in meetings. She is transferred to manage a team in a high power-distance culture and is surprised when staff rarely voice disagreement even when asked directly. Using Hofstede's framework, explain this difference.

Lời giải chi tiết

Power distance measures how much a culture accepts unequal distribution of authority. In a **low power-distance** culture, employees expect to be consulted and feel comfortable challenging a manager's view — hierarchy is seen as relatively flexible. In a **high power-distance** culture, employees are socialised to defer to authority and see open disagreement with a superior, especially in front of others, as inappropriate or disrespectful — so staff may hold back objections even when directly invited to speak, requiring the manager to build trust and perhaps seek feedback through less public, one-to-one channels instead.

Bài tập luyện tập

A manufacturer currently uses only one-way memos to announce major operational changes to staff, and has noticed rising confusion and resistance to recent changes. Recommend **one** change to its communication approach and explain the expected benefit.

Lời giải chi tiết

The manufacturer should shift toward **two-way communication** — for example, holding team briefings or Q&A sessions when announcing major changes, rather than relying solely on one-way memos.

Benefit: two-way communication allows staff to ask questions and raise concerns, helping managers identify and correct misunderstandings immediately, and gives employees a sense of involvement — both of which typically reduce resistance to change and improve the accuracy of understanding compared with a purely one-way announcement.

Bài tập luyện tập

[HL] A hospital's nursing union and management disagree over a proposed change to shift patterns. Neither side has pre-agreed to accept any third party's decision, but both are willing to let a neutral facilitator suggest a compromise that either side may still reject. Identify and justify the most appropriate dispute-resolution method.

Lời giải chi tiết

This calls for **mediation**. A neutral third party actively proposes a solution (unlike conciliation, which only facilitates dialogue without proposing one), but because neither side has pre-agreed in advance to accept the outcome, the proposal is **not binding** — both the union and management remain free to reject it and continue negotiating, which rules out (binding) arbitration as the correct description here.

Bài tập luyện tập

[HL] Explain **one** reason a business might prefer non-binding **mediation** over binding **arbitration** when resolving a dispute with its trade union.

Lời giải chi tiết

With **mediation**, both parties retain the right to reject the proposed solution if they feel it is unfair or unworkable, giving management (and the union) more control over the eventual outcome and reducing the risk of being bound to a decision imposed by an external third party. This can be preferable when the business wants to explore a creative or flexible solution collaboratively, or when it is not confident that a binding, externally-imposed decision (arbitration) would reflect its specific operational constraints.

Bài tập luyện tập

[HL] Explain **one** way proactive employee participation (e.g. a works council or regular staff consultation) can reduce the likelihood of a business facing formal industrial action.

Lời giải chi tiết

Proactive employee participation gives staff a genuine, regular channel to raise concerns and influence decisions *before* frustration builds up, meaning issues (e.g. a proposed change to shift patterns) can be identified and addressed collaboratively while they are still small and manageable. This builds trust between management and staff, reduces the sense that industrial action is the only way to be heard, and often means any eventual disagreement is easier to resolve through ordinary negotiation rather than escalating to a strike or other industrial action.

Bài tập luyện tập

A company has 6 regional managers, each overseeing 8 store managers, each of whom oversees 12 staff, in addition to the CEO at the top. Calculate the total number of staff at the lowest level, and identify the number of levels of hierarchy (including the CEO).

Lời giải chi tiết

Total staff at lowest level $= 6 \times 8 \times 12 = \boxed{576}$ staff.

Levels of hierarchy $= \boxed{4}$: CEO → regional managers → store managers → staff.

Bài tập luyện tập

A firm is choosing between **voluntary** and **compulsory** redundancy to reduce headcount by 20 staff. Explain **one** advantage and **one** disadvantage of choosing voluntary redundancy.

Lời giải chi tiết

Advantage: voluntary redundancy generally preserves morale and trust, since no employee is forced out against their will, and it avoids the difficult and potentially legally risky task of management selecting exactly who must leave.

Disadvantage: the firm may lose valued, high-performing staff who choose to volunteer (attracted by an enhanced payout or because they can easily find another job), while leaving behind staff the firm might have preferred to lose — meaning voluntary redundancy gives management less control over exactly which skills and experience are retained.

Bài tập luyện tập

[HL] An MNC opens a new regional office in a country with high power distance and strong collectivist values, having previously only operated in a low power-distance, highly individualist home market. Recommend **one** adjustment to its management approach and justify it using Hofstede's dimensions.

Lời giải chi tiết

The MNC should shift toward a more **formal, hierarchical management style** that respects clear lines of authority and title (reflecting high power distance), and emphasise **team-based goals, group recognition and collective decision-making** rather than purely individual performance incentives (reflecting collectivism). Justification: in a high power-distance culture, staff generally expect and respect clear hierarchy rather than a flat, highly consultative style; in a collectivist culture, employees are typically more motivated by group harmony, shared achievement and team identity than by individual competition, so reward and communication systems designed for an individualist home market may be less effective or even counter-productive if applied unchanged.

Bài tập luyện tập

A business wants a new supervisor to develop the confidence and skills to take over a department head's role within two years, without an immediate vacancy to fill. Which HR planning technique best fits this scenario?

(A) Compulsory redundancy
(B) Succession planning
(C) Delayering
(D) Work-to-rule

Lời giải chi tiết

Identifying and deliberately developing an internal candidate ahead of an anticipated future vacancy is the definition of **succession planning**. **(B)**.

Bài tập luyện tập

A logistics company relies heavily on zero-hours contract staff to handle unpredictable weekly demand, alongside a smaller group of full-time permanent staff who manage its core operations. Using the core–peripheral workforce model, explain **one** benefit and **one** risk of this staffing approach.

Lời giải chi tiết

Benefit: the peripheral (zero-hours) workforce lets the company scale its total labour hours up or down quickly to match unpredictable weekly demand, without paying for idle full-time staff during quiet periods, keeping fixed labour costs low.

Risk: zero-hours staff typically have lower loyalty and higher turnover, receive less training investment, and job insecurity can itself demotivate them (Maslow's safety need); relying on them too heavily for tasks requiring real expertise or strong customer relationships may create inconsistent service quality.

Bài tập luyện tập

A global consumer-goods company reorganises its head office into three separate divisions — Household Products, Food & Beverages, and Personal Care — each with its own finance, HR and marketing teams. Identify the type of organisational structure shown and state **one** drawback of this choice.

Lời giải chi tiết

This is a **product (divisional) structure**. **One drawback:** functional roles (finance, HR, marketing) are duplicated across all three divisions, which is more costly than a single shared functional structure and can fragment the company's overall bargaining power and consistency of brand identity.

Bài tập luyện tập

A manufacturer is introducing robotic automation that will eliminate 30 routine assembly-line roles over the next two years, while creating an estimated 10 new roles for staff who can maintain and program the robots. Recommend **one** HR planning response that avoids relying only on redundancy.

Lời giải chi tiết

The manufacturer should prioritise **retraining and redeployment**: identifying assembly-line staff willing and able to be upskilled into the 10 new maintenance/programming roles, and using natural wastage (retirements/resignations) plus voluntary redundancy to manage the remaining surplus of the other 20 roles, rather than defaulting to compulsory redundancy — preserving morale, retaining institutional knowledge, and reducing the reputational and legal risk of large-scale job losses.

Bài tập luyện tập

A sales employee earns a percentage of the value of every sale they personally close, with no fixed salary component. Which type of financial reward is this?

(A) Profit-sharing
(B) Commission
(C) Piece rate
(D) Fringe benefit

Lời giải chi tiết

Pay calculated as a percentage of the value of sales an individual personally generates is the definition of **commission**. **(B)**.

Bài tập luyện tập

A line manager rates an employee's entire year's performance as excellent, largely because of one impressive client presentation delivered in the final month of the appraisal period, despite average performance for the rest of the year. Identify the appraisal bias shown and explain the risk it creates.

Lời giải chi tiết

This shows **recency bias** (excessive weight placed on recent events) combined with elements of the **halo effect** (one strong impression colouring the overall rating). **Risk:** the appraisal no longer reflects the employee's performance across the *whole* period, which can produce an unfair rating (positive or negative), undermine trust in the appraisal system, and send a misleading signal about what the business actually values if rewards or promotion follow from it.

Bài tập luyện tập

A trade union negotiates a single pay-and-conditions agreement that will apply to every employer across an entire industry, rather than negotiating separately with each company. Identify this type of collective bargaining and state **one** advantage it offers employees compared with bargaining separately at each firm.

Lời giải chi tiết

This is **multi-employer (sector-level) bargaining**. **Advantage:** it prevents any single employer in the industry from undercutting pay and conditions to gain a cost advantage over competitors, giving employees a consistent, industry-wide floor of pay and conditions regardless of which specific firm they work for.

Bài tập luyện tập

After running a customer-service training programme, a company only asks attendees to complete a short satisfaction survey about whether they enjoyed the session. Explain **one** limitation of stopping the evaluation at this stage.

Lời giải chi tiết

A satisfaction survey only measures the **reaction** level of training evaluation — whether trainees enjoyed the session — and says nothing about whether they actually **learned** the intended skills, whether their on-the-job **behaviour** changed, or whether the training produced measurable business **results** (e.g. improved customer satisfaction scores or productivity). A positive reaction does not guarantee the training was effective or worth its cost; deeper evaluation (tests, on-the-job observation, performance data) is needed to know that.

Bài tập luyện tập

A project manager in a global company holds all team meetings by video call across three time zones, and has noticed that quieter team members rarely raise concerns compared with when the team previously worked from one shared office. Suggest **one** reason for this change and **one** way to address it.

Lời giải chi tiết

Reason: virtual communication loses the informal, low-pressure "corridor conversations" and body-language/tone cues of a shared office, so quieter staff may feel less comfortable raising concerns in a formal scheduled video call, especially across time zones where some team members may be tired or distracted outside their normal working hours.

Address it: build in smaller, informal check-ins (e.g. one-to-one calls) alongside the large video meetings, actively invite input from quieter members by name, and rotate meeting times fairly across time zones so no single group always bears the inconvenience.

Bài tập luyện tập

A department head delegates responsibility for a client project to a junior manager, who makes an error that damages the client relationship. Explain, using the distinction between responsibility and accountability, why the department head cannot simply blame the junior manager when reporting to their own director.

Lời giải chi tiết

Responsibility for carrying out the project was delegated to the junior manager, but **accountability** for the outcome cannot be delegated away — the department head remains answerable to their own director for the project's success or failure, because they chose to delegate it and retain overall ownership of the result. The department head can explain what happened and what they will do differently (e.g. more oversight or support next time), but cannot escape ultimate accountability simply because someone else carried out the task.

Bài tập luyện tập

An engineering firm assigns staff to cross-functional teams for each new client project, with each employee reporting both to their permanent functional manager (e.g. Head of Design) and to the project manager leading their current project. Identify this structure and state **one** disadvantage it creates.

Lời giải chi tiết

This is a **matrix structure**. **Disadvantage:** dual reporting lines can create conflicting instructions from the functional manager and the project manager, and can dilute accountability, since it may be unclear which manager's priorities should take precedence when the two disagree.

Bài tập luyện tập

A restaurant chain's head office currently approves every individual branch's staff rota and local supplier choice. Recommend **one** change toward decentralisation and explain **one** likely benefit.

Lời giải chi tiết

The chain should **delegate rota-setting and local supplier decisions to each branch manager** rather than requiring head-office approval for every branch. **Benefit:** branch managers have better first-hand knowledge of local staffing needs and supplier options, so decentralising these decisions should produce faster, more locally-appropriate choices, while freeing head-office time for higher-level strategic decisions.

Bài tập luyện tập

A manufacturing plant that has been running three separate, dedicated production lines is closing one line due to falling demand for that product. Rather than making the line's 15 staff redundant, the company retrains and transfers all of them to work on its two remaining, busier lines. What HR technique is being used, and what is **one** advantage of this approach over redundancy?

Lời giải chi tiết

This is **redeployment**. **Advantage:** it avoids job losses entirely, retaining the staff's existing skills, experience and institutional knowledge within the business (avoiding the recruitment and induction cost of hiring replacements elsewhere) and preserves morale and trust among the wider workforce, who can see that redundancy is not the firm's automatic first response to a falling product line.

Ôn tập nhanh — Unit 2: Chain of command/span of control → tall vs flat; delayering không tự động nghĩa là decentralisation; delegation uỷ quyền responsibility nhưng accountability không thể chuyển giao. Workforce planning: demand vs supply → thiếu (tuyển dụng/đào tạo) hoặc thừa (redeployment/redundancy, khác dismissal). Tuyển dụng: job analysis → job description + person specification → internal/external → shortlist → interview/test/assessment centre → induction. Đào tạo: induction, on-the-job (rẻ, phụ thuộc người hướng dẫn), off-the-job (chuyên sâu, tốn kém). Appraisal: formative (phát triển liên tục) vs summative (đánh giá định kỳ, gắn lương/thưởng). Taylor = tiền; Mayo/Hawthorne = yếu tố xã hội-tâm lý; Maslow = nhu cầu chưa thoả mãn theo bậc thang; Herzberg = hygiene (không tạo động lực) khác motivator (tạo động lực qua job enrichment). [HL] McClelland: nAch/nAff/nPow; Locke: mục tiêu cụ thể + phản hồi. [HL] Handy: Power/Role/Task/Person; Hofstede: văn hoá QUỐC GIA. [HL] Conciliation (không đề xuất) → mediation (đề xuất, không ràng buộc) → arbitration (có thể ràng buộc).

Finance and Accounts

Mục tiêu Unit: Nguồn vốn nội bộ và bên ngoài (bao gồm rights issue và các yếu tố ảnh hưởng đến lựa chọn nguồn vốn); phân loại chi phí/doanh thu (chi phí cố định, biến đổi, trực tiếp, gián tiếp, cost/profit centre); phân tích hoà vốn (break-even) và giới hạn của mô hình; lập ngân sách (budgets) và phân tích chênh lệch (variance analysis); khấu hao tài sản cố định (straight-line và reducing-balance); báo cáo tài chính (income statement, statement of financial position); phân tích tỷ số (bao gồm HL: efficiency, gearing) và giới hạn của phân tích tỷ số; chu trình vốn lưu động và dự báo dòng tiền; và thẩm định đầu tư (payback, ARR, và HL: NPV) cùng giới hạn của từng phương pháp.

3.1 Sources of finance

Every business, whether launching for the first time or funding an expansion, must decide how to raise the finance it needs. **Internal finance** is generated from within the business itself; **external finance** is raised from outside sources. Finance is also classified by **term**: **short-term** finance (normally repaid within one year) typically covers day-to-day working-capital needs, while **long-term** finance (repaid over more than one year) typically funds capital projects such as new machinery, premises or an acquisition.

Source	Term	Notes
Retained profit	Internal	Free — no interest or dilution of ownership; limited by the profit actually available after tax and dividends, and unavailable to a start-up with no trading history.
Sale of unused/-surplus assets	Internal	Raises cash without borrowing; only possible if the business owns saleable non-current assets, and may signal financial weakness if used to fund routine running costs.
Bank overdraft	External, short	Flexible — interest is charged only on the amount actually overdrawn; can be recalled by the bank at short notice and carries a relatively high interest rate.
Trade credit	External, short	Delaying payment to suppliers (e.g. 30/60/90 days) is effectively an interest-free loan; abusing it damages supplier relationships and risks the loss of future credit terms or discounts.
Ordinary share capital	External, long	No repayment obligation or interest; spreads risk across many owners but dilutes existing shareholders' percentage ownership and control.
Rights issue	External, long	New shares offered to *existing* shareholders first, in proportion to their current holding, usually at a discount to the market price — raises fresh capital while giving current owners the chance to maintain their stake.
Loan capital / debentures	External, long	Fixed interest must be paid regardless of profit (raising gearing and financial risk); ownership and control are retained in full by existing owners.
Leasing	External, long	Avoids a large upfront capital outlay and can include maintenance; the business never owns the asset, and total cost over time usually exceeds the purchase price.
Business angels / venture capital	External, long	Cash plus valuable expertise/contacts for high-growth, high-risk start-ups; investors typically demand significant equity and some say over strategic decisions.
Crowdfunding	External, long	Raises small amounts from a large number of backers via an online platform; a failed campaign is public and can damage the business's reputation and reveal its plans to competitors.

GIẢI THÍCH TIẾNG VIỆT

VN Nguồn vốn nội bộ (lợi nhuận giữ lại, bán tài sản) không tốn lãi nhưng bị giới hạn bởi khả năng tài chính hiện tại — một start-up mới thành lập gần như không có lợi nhuận giữ lại. Nguồn vốn bên ngoài ngắn hạn (thấu chi, tín dụng thương mại) linh hoạt nhưng lãi suất cao hoặc dễ bị thu hồi; dài hạn (vốn cổ phần, rights issue, vay nợ) phù hợp cho đầu tư lớn — vốn cổ phần làm loãng quyền sở hữu còn vay nợ làm tăng đòn bẩy tài chính (gearing) do phải trả lãi cố định bất kể lợi nhuận.

In some markets — particularly for small businesses, agriculture, or firms pursuing an activity the government wishes to encourage (e.g. renewable energy, exporting, regional job creation) — **government grants and subsidies** are also available. Unlike a loan, a grant typically does not need to be repaid and carries no interest, but it is usually restricted to a specific purpose, may require matched funding from the business itself, and is awarded competitively rather than guaranteed.

Internal ⟷ External

Term

Internal, short-term Not typical — most internal finance funds larger needs	**External, short-term** Bank overdraft Trade credit Debt factoring
Internal, long-term Retained profit Sale of surplus assets	**External, long-term** Share capital / rights issue Loan capital / debentures Leasing, venture capital, crowdfunding

Classifying sources of finance by term (short vs long) and origin (internal vs external). Most internal finance is naturally suited to longer-term needs, since it accumulates gradually.

3.1.1 Factors affecting the choice of finance

No single source of finance is universally "best" — the right choice depends on the specific situation:

- **Amount required** — a small, temporary cash-flow gap is usually filled with an overdraft or trade credit, while purchasing a new factory requires substantial long-term finance such as a loan, debenture or share issue.
- **Cost** — interest, arrangement fees and (for equity) the value of dividends and control given up must be weighed against the benefit of the finance; retained profit and trade credit are typically the cheapest sources, while overdrafts and venture capital are often the most expensive per dollar raised.
- **Effect on ownership and control** — issuing new shares (including a rights issue) dilutes existing shareholders' percentage ownership and voting power; loan capital leaves ownership unchanged but increases gearing and creates a fixed legal obligation to pay interest even in a loss-making year.
- **Time period (short- vs long-term)** — finance should be matched to its purpose. Funding a long-lived, non-current asset with short-term finance (e.g. an overdraft) risks the loan being recalled before the asset has generated a sufficient return; using expensive long-term finance for a brief, temporary cash-flow gap wastes money on unnecessary interest.

Other considerations include the size and legal structure of the business (a sole trader cannot issue shares), its credit history, prevailing interest rates, and how much financial risk the owners are willing to accept.

Legal structure limits which sources are realistically available. A sole trader or partnership cannot legally issue shares, so must rely on personal savings, retained profit, loans, overdrafts and trade credit. A **private limited company (Ltd)** can issue shares, but only privately to invited investors (e.g. business angels/venture capital), not to the general public. Only a **public limited company (PLC)**, having ”gone public” through a stock market listing, can raise capital by selling shares to the general public on a stock exchange — typically the only realistic route to raising very large sums of new equity finance.

Worked example: Choosing an appropriate source of finance

A private limited company wants to open a second factory costing \$2 million, expected to operate profitably for at least 15 years. It already has \$300,000 in retained profit and does not want to give up majority control of the company.

Analysis: the amount required (\$2 million) is far larger than available retained profit (\$300,000), so internal finance alone cannot fund it. The 15-year time horizon strongly favours **long-term** finance over any short-term source (an overdraft would be entirely inappropriate for funding a factory). Because the owners want to avoid losing majority control, a large new share issue is less attractive than **loan capital/debentures** — which would fund the shortfall ($2,000,000 - 300,000 = \$1,700,000$) while leaving ownership and voting control fully intact, at the cost of a fixed interest obligation and higher gearing that the company must be confident it can service from the new factory's future profits.

(!) Lỗi thường gặp: A start-up with no trading history has no retained profit and often insufficient assets to sell, so it must rely almost entirely on external finance (owners' savings, family and friends, microfinance/peer-to-peer lending, bank loans, business angels) until it becomes established. Do not assume every business has equal access to every source in the table above.

3.1.2 Debt versus equity: a direct comparison

The single most important trade-off in long-term finance is between **debt** (loan capital, debentures) and **equity** (ordinary share capital, a rights issue).

	Debt finance	Equity finance
Repayment	Must be repaid, usually with fixed interest, regardless of profit level.	No repayment obligation; shareholders receive dividends only if the directors choose to declare them.
Ownership/control	Fully retained by existing owners.	Diluted — new shareholders gain voting rights and a claim on future profits.
Effect on risk	Increases **gearing**; fixed interest must be paid even in a loss-making year, raising the risk of default.	Spreads risk across more owners; no fixed legal obligation, so lower financial risk in a downturn.
Typical use	Funding a specific asset or project with a predictable, calculable return.	Funding significant, higher-risk growth where flexibility (no fixed repayments) is valuable.

Worked example: The cost of borrowing

A firm needs $50,000 for one year and is comparing two options: (i) a **bank loan** charging 8% per annum interest, or (ii) relying on its **bank overdraft** facility, which charges 15% per annum on the amount outstanding.

$$\text{Loan interest} = 50,000 \times 0.08 = \boxed{\$4,000} \qquad \text{Overdraft interest} = 50,000 \times 0.15 = \boxed{\$7,500}$$

The bank loan is $7,500 - 4,000 = \$3,500$ cheaper over the year. This illustrates why an overdraft — although more flexible and quicker to arrange — is usually reserved for short-term, temporary cash needs rather than as a substitute for planned, longer-term borrowing.

Worked example: Invoice (debt) factoring

A firm sells $40,000 of goods on 60-day trade credit but needs cash immediately. A debt-factoring company agrees to advance 85% of the invoice value now, in exchange for a 4% factoring fee on the full invoice value.

$$\text{Cash advanced immediately} = 40,000 \times 0.85 = \boxed{\$34,000} \qquad \text{Factoring fee} = 40,000 \times 0.04 = \boxed{\$1,600}$$

The firm receives $34,000 in cash today (instead of waiting 60 days for the full $40,000), at a cost of $1,600 — a classic liquidity-versus-cost trade-off: factoring solves an immediate cash-flow problem but permanently sacrifices part of the invoice's value, so it is best used selectively rather than as a firm's everyday source of finance.

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Vay nợ (debt) phải trả lãi cố định và hoàn trả gốc bất kể lợi nhuận, nhưng giữ nguyên quyền sở hữu; vốn cổ phần (equity) không bắt buộc hoàn trả nhưng làm loãng quyền sở hữu và quyền biểu quyết. Bao thanh toán hoá đơn (debt factoring) giúp doanh nghiệp có tiền mặt ngay lập tức từ hoá đơn bán chịu, đổi lại một khoản phí — hữu ích khi cần thanh khoản gấp nhưng làm giảm tổng giá trị thu về so với việc đợi khách hàng thanh toán đủ.

3.2 Costs and revenue

Costs are classified by how they behave as output changes. **Fixed costs (FC)** do not change with the level of output in the short run (e.g. rent, insurance, salaried staff); **variable costs (VC)** change directly and roughly proportionally with output (e.g. raw materials, piece-rate wages); **semi-variable costs** contain both a fixed and a variable element (e.g. a utility bill with a standing charge plus a per-unit usage rate, or a salesperson's basic salary plus commission).

Costs can also be classified by **traceability**. A **direct cost** can be clearly attributed to producing one specific product or service (e.g. the wood used in one chair, the fabric used in one shirt). An **indirect cost / overhead** is shared across the whole business or across multiple products and cannot be traced to a single unit (e.g. factory rent, head-office salaries, insurance, general marketing spend). Fixed costs are often (but not always) overheads, and variable costs are often (but not always) direct costs — the two classifications are related but not identical.

$$\text{Total cost } (TC) = FC + VC \qquad \text{Total revenue } (TR) = P \times Q \qquad \text{Contribution per unit} = P - VC_{unit}$$

Worked example: Costs and revenue

A firm has fixed costs of \$5,000 per month, a variable cost of \$8 per unit, and sells at \$15 per unit. At an output of 1,000 units per month:

$$TC = 5,000 + (8 \times 1,000) = \boxed{\$13,000} \qquad TR = 15 \times 1,000 = \boxed{\$15,000}$$

Profit $= TR - TC = 15,000 - 13,000 = \boxed{\$2,000}$ Contribution per unit $= 15 - 8 = \boxed{\$7}$

3.2.1 Average cost, average revenue and profit per unit

Average cost (AC), also called unit cost, is total cost divided by output: $AC = TC/Q$. **Average revenue (AR)** is total revenue divided by output: $AR = TR/Q$ — for a firm charging a single uniform price, AR is simply equal to the selling price P. Comparing AC and AR at a given output level shows the profit (or loss) earned per unit, which — multiplied by output — gives total profit.

Worked example: Average cost and average revenue

A firm produces 2,000 units at a total cost of \$46,000 and sells all 2,000 units at \$30 each.

$$AC = \frac{TC}{Q} = \frac{46,000}{2,000} = \boxed{\$23 \text{ per unit}} \qquad AR = \frac{TR}{Q} = \frac{30 \times 2,000}{2,000} = \boxed{\$30 \text{ per unit}}$$

Profit per unit $= AR - AC = 30 - 23 = \boxed{\$7}$ Total profit $= 7 \times 2,000 = \boxed{\$14,000}$

3.2.2 Cost centres and profit centres

As a business grows, it often divides its operations into smaller units for accounting purposes. A **cost centre** is a section of a business (a department, a factory line, a delivery fleet) to which costs can be allocated and monitored separately, so managers can be held accountable for controlling spending in their area. A **profit centre** goes further: both the costs *and* the revenues of a section can be identified, so its profit can be calculated independently (e.g. an individual store within a retail chain, or a regional division of an airline).

> Dividing a business into cost/profit centres allows managers to **compare performance** across different parts of the business, identify which sections are most and least efficient or profitable, support more informed resource-allocation decisions, and increase the **motivation and accountability** of local managers who feel ownership over ”their own” numbers. A key limitation is that shared overheads (e.g. head-office costs) must be allocated between centres using an apportionment method that is often somewhat arbitrary, which can cause disagreement or a false impression of a centre’s true performance.

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VN

Chi phí cố định (fixed cost) không đổi theo sản lượng; chi phí biến đổi (variable cost) thay đổi trực tiếp theo sản lượng; chi phí bán biến đổi (semi-variable) có cả hai thành phần. Chi phí trực tiếp (direct cost) gắn với một sản phẩm cụ thể; chi phí gián tiếp/overhead dùng chung cho toàn doanh nghiệp. Cost centre chỉ theo dõi chi phí của một bộ phận; profit centre theo dõi cả doanh thu lẫn chi phí để tính lợi nhuận riêng của bộ phận đó — giúp so sánh hiệu quả giữa các bộ phận nhưng việc phân bổ chi phí chung (overhead) đôi khi mang tính chủ quan.

Worked example: Classifying six real costs

Classify each of the following costs as (i) fixed, variable or semi-variable, and (ii) direct or indirect/overhead, for a furniture-making business:

Cost item	FC / VC / Semi	Direct / Indirect
Timber used in a specific chair	Variable	Direct
Factory rent	Fixed	Indirect
Carpenter's piece-rate wage per chair made	Variable	Direct
Factory supervisor's fixed monthly salary	Fixed	Indirect
Electricity bill (standing charge + per-kWh rate)	Semi-variable	Indirect
Delivery fuel cost per completed order	Variable	Direct

Timber and the piece-rate wage vary directly with output and can be traced to one chair, so both are variable *and* direct. Rent and the supervisor's salary do not change with output and cannot be traced to a single chair, so both are fixed *and* indirect. The electricity bill combines a fixed standing charge with a usage-based charge (semi-variable) and, like rent, cannot be traced to one specific chair (indirect).

3.2.3 [HL] Limiting factors and contribution

When a scarce resource (e.g. machine hours, skilled labour hours, or raw materials in short supply) restricts how much a firm can produce, the firm should **not** simply prioritise the product with the highest contribution per unit — it should prioritise the product with the highest **contribution per unit of the scarce resource**.

Worked example: [HL] Limiting factor decision-making

A workshop has only 800 machine hours available this month and can make two products:

Product	Contribution/unit	Machine hrs/unit	Contribution/hour
X	$10	2	$5
Y	$12	4	$3

Product X: $\frac{10}{2} = \boxed{\$5 \text{ per machine hour}}$ Product Y: $\frac{12}{4} = \boxed{\$3 \text{ per machine hour}}$

Although Product Y earns a higher contribution *per unit* ($12 vs $10), Product X earns more contribution *per hour of the scarce machine time* ($5 vs $3). With only 800 machine hours available, the workshop should prioritise **Product X**: producing only X would generate $800 \times 5 = \$4,000$ of contribution, versus only $800 \times 3 = \$3,000$ if the same 800 hours were used entirely on Product Y.

3.2.4 [HL] Special order (contribution) decisions

When a firm has **spare capacity** (it is not producing at its maximum possible output), contribution costing can justify accepting a one-off order at a price *below* the firm's normal selling price. Because fixed costs are already being covered by existing production, the firm only needs the special order's price to exceed its **variable cost per unit** for the order to add extra profit — any positive contribution from spare capacity is better than no order at all, provided it does not disrupt normal-price sales or damage the brand through unfair price comparisons.

Worked example: [HL] A special order decision

A manufacturer normally sells at \$20/unit (variable cost $= \$12$/unit), fully covering its fixed costs through its usual 5,000 units/month of production, out of a maximum capacity of 5,500 units/month (500 units of spare capacity). An overseas customer offers a one-off order for 400 units at only \$15/unit, which will not affect any existing sales.

$$\text{Contribution on the special order} = 15 - 12 = \boxed{\$3 \text{ per unit}}$$

Since \$15 exceeds the \$12 variable cost, the order still generates positive contribution even though it is well below the normal \$20 price.

$$\text{Extra profit from accepting the order} = 3 \times 400 = \boxed{\$1,200}$$

The firm should **accept** the order: fixed costs are already fully covered by existing sales, spare capacity (400 of the available 500 units) is used productively, and the extra \$1,200 would simply not exist if the order were rejected — as long as the discounted price stays confidential from regular customers who pay full price.

3.3 Break-even analysis

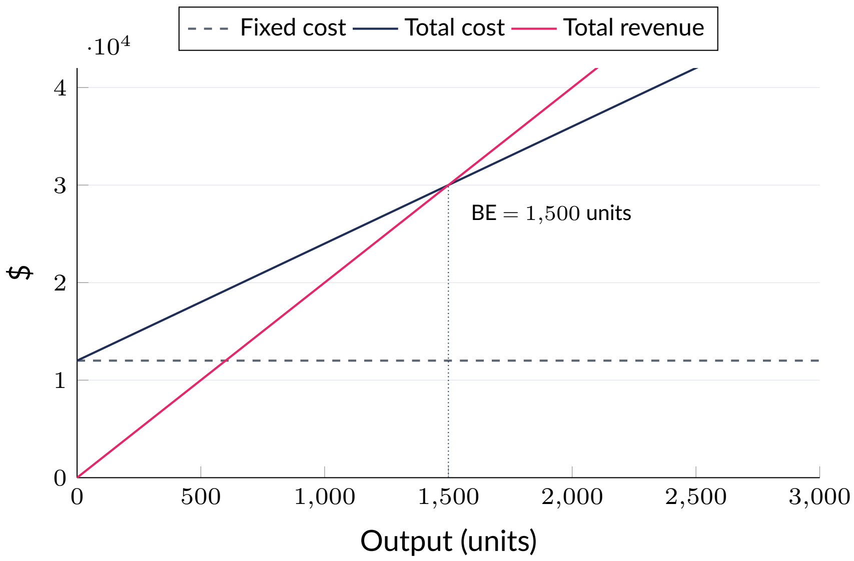
The **break-even output** (Q_{BE}) is the level of sales at which total revenue exactly equals total cost, so the business makes zero profit and zero loss:

$$Q_{BE} = \frac{\text{Fixed costs}}{\text{Contribution per unit}} = \frac{FC}{P - VC_{unit}}$$

The **margin of safety** measures how far actual (or forecast) sales exceed the break-even output: Margin of safety $=$ Actual output $- Q_{BE}$ — the larger this figure, the safer the business is from a fall in demand. The output needed to hit a **target profit** is:

$$\text{Target profit output} = \frac{FC + \text{Target profit}}{\text{Contribution per unit}}$$

Deriving the formula: break-even occurs where $TR = TC$, i.e. where $P \times Q = FC + VC_{unit} \times Q$. Rearranging: $PQ - VC_{unit}Q = FC \Rightarrow Q(P - VC_{unit}) = FC \Rightarrow Q = \frac{FC}{P - VC_{unit}}$ — confirming that the break-even formula is simply algebra applied to the condition "revenue equals cost," not a rule to be memorised in isolation.



Break-even chart: $FC = \$12,000$, $SP = \$20$/unit, $VC = \$12$/unit ⇒ break-even output $= 1,500$ units, where the total cost and total revenue lines intersect.

Worked example: Break-even

Fixed costs $= \$12,000$ per month; selling price $= \$20$ per unit; variable cost $= \$12$ per unit.

$$\text{Contribution} = 20 - 12 = \$8 \qquad Q_{BE} = \frac{12,000}{8} = \boxed{1,500 \text{ units}}$$

If actual sales are 2,000 units per month, margin of safety $= 2,000 - 1,500 = \boxed{500 \text{ units}}$. If the firm instead wants a target profit of $4,000 per month:

$$\text{Target output} = \frac{12,000 + 4,000}{8} = \frac{16,000}{8} = \boxed{2,000 \text{ units}}$$

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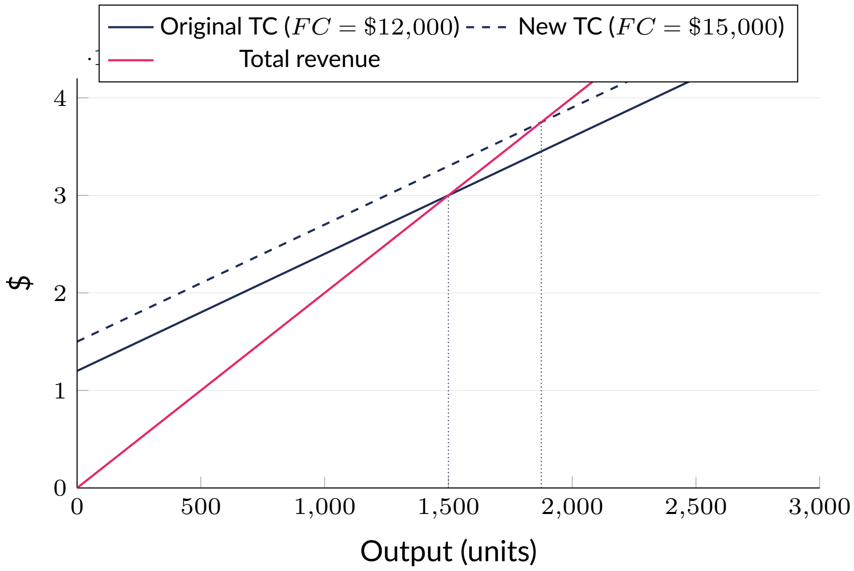
Sản lượng hoà vốn $Q_{BE} = FC/(P - VC_{unit})$. Margin of safety là phần sản lượng thực tế VƯỢT sản lượng hoà vốn — càng lớn, doanh nghiệp càng an toàn trước rủi ro giảm doanh số. Trên biểu đồ hoà vốn, điểm hoà vốn chính là giao điểm của đường tổng doanh thu (TR) và đường tổng chi phí (TC); phía bên trái điểm này doanh nghiệp lỗ, phía bên phải doanh nghiệp có lãi.

3.3.1 Shifts in the break-even point

The break-even chart is not static: any change to fixed costs, variable cost per unit, or selling price shifts the position of the lines and therefore the break-even point itself.

- A **rise in fixed costs** (e.g. higher rent) shifts the entire total cost line *upward in parallel* (same slope, higher starting point), which **increases** the break-even output — the firm must now sell more units just to cover its higher fixed overheads.
- A **fall in variable cost per unit** (e.g. a cheaper supplier contract) makes the total cost line *flatter* (a lower slope, but the same starting point at FC), which **increases** the contribution per unit and therefore **decreases** the break-even output — each unit sold now covers fixed costs faster.



A \$3,000 rise in monthly fixed costs (\$12,000 → \$15,000, with SP and VC unchanged) shifts the total cost line up in parallel and moves the break-even point from 1,500 to 1,875 units.

Worked example: A shift in the break-even point

Starting position: $FC = \$12,000$, $SP = \$20$, $VC = \$12 \Rightarrow$ contribution $= \$8$, $Q_{BE} = 1,500$ units (as above).

Scenario 1 — fixed costs rise: the landlord raises the rent, so FC rises to \$15,000/month (SP and VC unchanged, contribution still \$8).

$$Q_{BE}^{\text{new}} = \frac{15,000}{8} = \boxed{1,875 \text{ units}}$$

The break-even output **rises** from 1,500 to 1,875 units — if sales stay at 2,000 units, the margin of safety shrinks from 500 units to only $2,000 - 1,875 = \boxed{125 \text{ units}}$, a much riskier position.

Scenario 2 — variable cost falls: the firm renegotiates a cheaper supplier contract, cutting VC from \$12 to \$8 per unit ($FC = \$12,000$ and $SP = \$20$ unchanged).

$$\text{New contribution} = 20 - 8 = \$12 \qquad Q_{BE}^{\text{new}} = \frac{12,000}{12} = \boxed{1,000 \text{ units}}$$

The break-even output **falls** from 1,500 to 1,000 units — the firm now needs to sell 500 fewer units to cover its fixed costs, and at 2,000 units of sales the margin of safety **widens** to 1,000 units.

3.3.2 Limitations of break-even analysis

Break-even analysis relies on several simplifying assumptions that rarely hold exactly in reality: (1) it assumes selling price and variable cost per unit are **constant** at every output level, producing straight lines, whereas in practice bulk discounts, overtime pay and market pressure can bend both; (2) it assumes **all output produced is sold** with no unsold inventory; (3) in its simplest form it assumes a **single product**, whereas most real firms sell a mix of products with different contributions; and (4) fixed costs are assumed constant over the whole range charted, whereas in reality they may "step up" once output passes a certain capacity (e.g. a business must rent a second unit once it outgrows the first). Break-even analysis is nonetheless a valuable planning tool precisely because it is simple, quick to recalculate, and highlights the sales volume required to avoid a loss.

(!) Lỗi thường gặp: Do not assume a larger margin of safety is always achievable simply by cutting price to sell more units — a lower selling price also reduces the contribution per unit, which **raises** the break-even output at the same time as it (hopefully) raises volume. The two effects must be evaluated together, not in isolation.

Worked example: [HL] Break-even with a product mix

A café sells two products in a fixed ratio of 3 coffees for every 1 sandwich. Coffee has a contribution of $2 per unit; the sandwich has a contribution of $4 per unit. Monthly fixed costs are $4,400.

Weighted average contribution per "bundle" of 4 items (3 coffees $+1$ sandwich):

$$(3 \times 2) + (1 \times 4) = 6 + 4 = \boxed{\$10 \text{ per bundle}}$$

$$\text{Break-even in bundles} = \frac{4,400}{10} = \boxed{440 \text{ bundles}}$$

Since each bundle contains 3 coffees and 1 sandwich, this equals $440 \times 3 = 1,320$ coffees and $440 \times 1 = 440$ sandwiches per month at break-even — illustrating that a multi-product break-even calculation requires a **weighted average contribution** based on the firm's expected sales mix, rather than a single product's contribution alone.

3.4 Budgets

A **budget** is a financial plan, expressed in numbers, for a future period (typically a month or a year), setting targets for revenue, costs, and/or cash flow for the business as a whole or for an individual department/cost centre. Common **functional budgets** include a **sales (revenue) budget**, a **production/operations budget**, a **labour budget**, and an **expenditure budget** for overheads, alongside a **cash budget** (a cash flow forecast — see Section 3.8). All of these functional budgets are combined into a single **master budget** — an overall projected income statement and cash flow forecast for the whole business — which is why coordination between departments (mentioned below) is so essential: an overly optimistic sales budget, for instance, would flow through and distort the production, labour and cash budgets built on top of it.

Budgeting serves several purposes: it forces managers to **plan ahead** rather than react to events; it helps **coordinate** the activities of different departments around a shared set of financial targets; it provides a **benchmark** against which actual performance can later be measured and controlled; and it can **motivate** staff and managers when they are involved in setting realistic, achievable targets (an unrealistic, imposed budget can instead demotivate).

3.4.1 Approaches to setting a budget

Businesses can set budgets in different ways, each with trade-offs:

- **Historical (incremental) budgeting** takes the previous period's budget and adjusts it slightly (e.g. $+3\%$ for expected inflation/growth). It is quick and simple, but can simply carry forward past inefficiencies or unjustified spending year after year without questioning whether the money is really needed.
- **Zero-based budgeting** requires every department to justify *all* of its spending from a base of zero each period, rather than starting from last year's figure. It is far more time-consuming to prepare, but forces managers to actively justify every dollar and can uncover unnecessary costs that incremental budgeting would simply roll over.
- **Top-down (imposed) budgeting** is set by senior management with little or no input from the department that must deliver it — faster to produce and keeps tight central control, but risks setting unrealistic targets and can demotivate staff who feel no ownership over the figures.
- **Bottom-up (participative) budgeting** involves the relevant department/cost-centre managers in setting their own targets — typically more realistic and more motivating, since the people who must hit the target also helped set it, but takes longer to agree and risks managers deliberately understating what they can achieve ("budgetary slack") to make the target easier to hit.

3.4.2 Variance analysis

Variance analysis compares budgeted (planned) figures against actual figures at the end of the period. The **variance** is simply the difference (Actual − Budgeted); whether that difference is **favourable (F)** or **adverse (A)** depends on whether the line item is a revenue or a cost:

- For a **revenue** line, actual *higher* than budgeted is **favourable** (more income than planned); actual *lower* than budgeted is **adverse**.
- For a **cost** line, actual *lower* than budgeted is **favourable** (spent less than planned); actual *higher* than budgeted is **adverse** (overspending eats into profit).

Worked example: Budget variance analysis

A firm's monthly budget and actual results are:

Item	Budget ($)	Actual ($)	Variance
Sales revenue	150,000	162,000	
Direct materials cost	60,000	65,500	
Direct labour cost	40,000	37,000	

$$\text{Sales variance} = 162,000 - 150,000 = +\$12,000 \Rightarrow \boxed{\$12,000 \text{ Favourable}}$$

$$\text{Materials variance} = 65,500 - 60,000 = +\$5,500 \Rightarrow \boxed{\$5,500 \text{ Adverse (cost overrun)}}$$

$$\text{Labour variance} = 37,000 - 40,000 = -\$3,000 \Rightarrow \boxed{\$3,000 \text{ Favourable (cost saving)}}$$

Check against total profit: Budgeted profit $= 150,000 - (60,000 + 40,000) = \$50,000$. Actual profit $= 162,000 - (65,500 + 37,000) = \$59,500$. The overall profit variance $= 59,500 - 50,000 = \boxed{+\$9,500 \text{ Favourable}}$, which exactly equals the sum of the three individual variances: $12,000 - 5,500 + 3,000 = 9,500$. ✓

VN **GIẢI THÍCH TIẾNG VIỆT**

Ngân sách (budget) là kế hoạch tài chính cho một kỳ tương lai, giúp lập kế hoạch, phối hợp giữa các phòng ban, làm cơ sở kiểm soát và tạo động lực. Phân tích chênh lệch (variance analysis) so sánh số thực tế với số ngân sách: với DOANH THU, thực tế CAO hơn ngân sách là chênh lệch TỐT (favourable); với CHI PHÍ, thực tế THẤP hơn ngân sách mới là chênh lệch TỐT — đây là điểm học sinh dễ nhầm lẫn nhất trong toàn bộ chương.

(!) Lỗi thường gặp: The most common exam error in this topic is applying the revenue rule to a cost line (or vice-versa). Always ask first: "is this a revenue or a cost?" — then apply the correct rule. A cost coming in *above* budget is always adverse; a cost coming in *below* budget is always favourable.

Causes of variances are usually grouped as **controllable** (within management's power to fix — e.g. staff working inefficiently, wastage of materials, poor scheduling) or **uncontrollable** (external factors outside management's power — e.g. a sudden rise in world commodity prices, an unexpected exchange-rate movement affecting imported materials, or a competitor's surprise price cut reducing sales volume). Distinguishing the two matters because a manager should be held accountable only for *controllable* variances — penalising a department for an adverse variance caused entirely by, say, a currency shock would be both unfair and demotivating.

3.5 Depreciation

Non-current assets such as machinery, vehicles and equipment lose value over time through **wear and tear** (physical use), the passage of time, and **obsolescence** (newer technology making the existing asset less useful or valuable). **Depreciation** is the accounting method used to allocate the cost of a non-current asset as an expense over its useful life, rather than charging its entire cost as an expense in the single year it was purchased.

Depreciation exists for two main reasons. First, the **matching (accruals) concept**: an asset helps generate revenue over *several* accounting periods, so its cost should be spread over — and matched against — the revenue earned in each of those periods, rather than distorting a single year's profit. Second, it keeps the **statement of financial position realistic**: showing an asset at its original historic cost year after year would overstate what it is actually worth today, whereas showing it at **net book value** (cost minus accumulated depreciation) reflects its declining value more fairly. Depreciation is a **non-cash expense** — no cash actually leaves the business when the depreciation charge is recorded (the cash outflow happened when the asset was originally bought), which is one reason profit and cash flow are not the same thing (see Section 3.8).

3.5.1 The straight-line method

The **straight-line method** charges an *equal* amount of depreciation in every year of the asset's useful life:

$$\text{Annual depreciation} = \frac{\text{Cost} - \text{Residual (scrap) value}}{\text{Expected useful life (years)}}$$

Worked example: Straight-line depreciation

A machine costs $50,000, has an estimated residual value of $5,000, and an expected useful life of 5 years.

$$\text{Annual depreciation} = \frac{50,000 - 5,000}{5} = \frac{45,000}{5} = \boxed{\$9,000 \text{ per year}}$$

Year	Depreciation	Net book value (NBV)
0 (purchase)	–	50,000
1	9,000	41,000
2	9,000	32,000
3	9,000	23,000

Following the same pattern, NBV falls to $14,000 at the end of Year 4 and to exactly $5,000 — the residual value — at the end of Year 5, confirming that straight-line depreciation reduces an asset *exactly* to its residual value by the end of its useful life.

3.5.2 The reducing-balance method

The **reducing-balance method** charges a fixed *percentage* of the asset's net book value each year, so the depreciation charge (in dollars) is largest in the early years and gets progressively smaller:

$$\text{Depreciation charge} = \text{Net book value at start of year} \times \text{depreciation rate (\%)}$$

Worked example: Reducing-balance depreciation

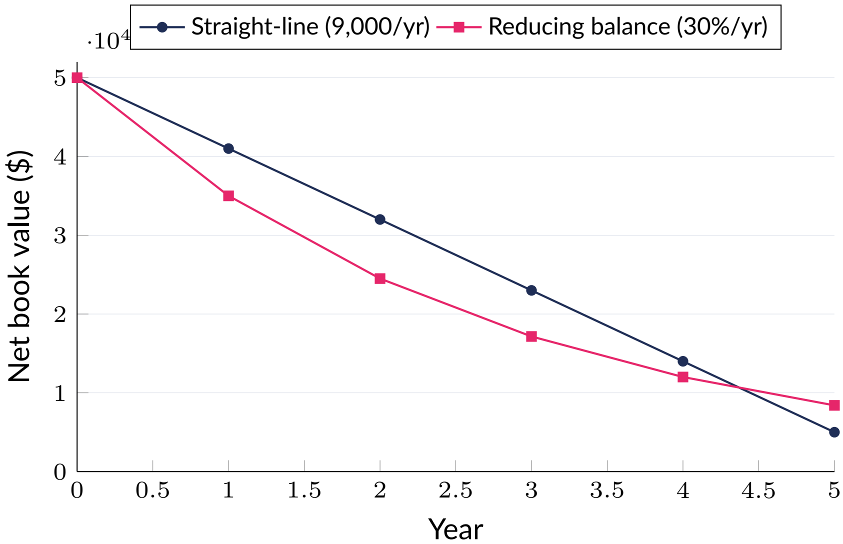
The same $50,000 machine is instead depreciated at 30% per annum on the reducing balance.

$$\text{Year 1: } 50,000 \times 0.30 = \boxed{\$15,000} \Rightarrow \text{NBV} = 50,000 - 15,000 = \$35,000$$

$$\text{Year 2: } 35,000 \times 0.30 = \boxed{\$10,500} \Rightarrow \text{NBV} = 35,000 - 10,500 = \$24,500$$

$$\text{Year 3: } 24,500 \times 0.30 = \boxed{\$7,350} \Rightarrow \text{NBV} = 24,500 - 7,350 = \$17,150$$

Unlike the straight-line method, the reducing-balance method never charges the asset down to exactly zero or to a fixed residual value — the net book value falls by a smaller dollar amount every year, approaching (but never quite reaching) zero.



Net book value of the same $50,000 asset over 5 years under each method. Straight-line falls in equal $9,000 steps to the $5,000 residual value; reducing-balance falls faster at first ($15,000 in Year 1 alone) but then more slowly, never reaching zero exactly (Years 4–5 rounded to the nearest dollar).

VN **GIẢI THÍCH TIẾNG VIỆT**

Khấu hao (depreciation) phân bổ chi phí tài sản cố định qua nhiều năm sử dụng thay vì tính hết vào năm mua — đây là khoản chi phí KHÔNG dùng tiền mặt (non-cash expense). Phương pháp đường thẳng (straight-line) khấu hao đều mỗi năm bằng nhau; phương pháp số dư giảm dần (reducing-balance) khấu hao theo % trên giá trị còn lại (NBV) — khấu hao nhiều hơn ở những năm đầu và giảm dần, phù hợp với tài sản (như xe cộ) mất giá nhanh lúc mới mua.

(!) Lỗi thường gặp: For the reducing-balance method, the depreciation rate is always applied to the **net book value at the start of that year** (i.e. cost minus *accumulated* depreciation so far) — never to the original cost every year. Recalculating 30% of the original $50,000 every year would incorrectly give $15,000 depreciation in every single year, which is the straight-line pattern, not reducing-balance.

3.5.3 Disposal of a non-current asset

When a non-current asset is sold or scrapped before (or after) the end of its expected useful life, the business compares the **sale proceeds** received against the asset's **net book value** at the date of disposal. If proceeds exceed NBV, the business records a **profit on disposal**; if proceeds are lower than NBV, it records a **loss on disposal**. Either figure appears in the income statement for that year.

Worked example: Profit or loss on disposal

Using the straight-line example above, the $50,000 machine (depreciated at $9,000/year, residual value $5,000) is unexpectedly sold at the **end of Year 2**, when its net book value is $32,000.

- If it is sold for $36,000: Profit on disposal $= 36,000 - 32,000 = \boxed{\$4,000}$.
- If it is instead sold for only $27,000 (e.g. due to unexpected damage): Loss on disposal $= 32,000 - 27,000 = \boxed{\$5,000}$.

This is why depreciation estimates (useful life and residual value) matter beyond the accounts alone: a poorly estimated residual value can lead to a large, unexpected profit or loss being recorded in the year the asset is finally disposed of.

3.5.4 [HL] Intangible assets and amortisation

Not every non-current asset is physical. **Intangible non-current assets** — patents, trademarks, copyrights, and **goodwill** (the value of a business's reputation and customer relationships, typically arising when one company buys another for more than the fair value of its net assets) — have no physical substance but still hold genuine long-term value. Because they too lose value or expire over time (a patent has a fixed legal life; a brand can lose relevance), they are gradually written down through **amortisation** — the direct equivalent of depreciation for intangible assets, usually calculated using the straight-line method over the asset's estimated useful or legal life.

VN GIẢI THÍCH TIẾNG VIỆT

Khi bán một tài sản cố định trước hoặc sau khi khấu hao hết, chênh lệch giữa giá bán và giá trị còn lại (NBV) tạo ra lãi/lỗ do thanh lý tài sản (profit/loss on disposal). [HL] Tài sản vô hình (intangible assets — bằng sáng chế, thương hiệu, goodwill) không có hình thái vật chất nhưng vẫn mất giá trị theo thời gian, được phân bổ dần qua amortisation — về bản chất giống hệt khấu hao nhưng áp dụng cho tài sản vô hình.

3.6 Final accounts

The **income statement** (profit and loss account) measures a business's financial performance over a period of time: Sales revenue$-$Cost of goods sold (COGS) $=$ Gross profit; Gross profit$-$Expenses $=$ Operating profit (profit for the year). The **statement of financial position** (balance sheet) is a snapshot of what the business owns and owes at a single point in time: Non-current assets$+$Current assets $=$ Current liabilities$+$Non-current liabilities$+$Equity. **Working capital** $=$ Current assets$-$Current liabilities is the short-term funding available for day-to-day operations.

Worked example: Reading final accounts

Income statement		Statement of financial position	
Sales revenue	500,000	Non-current assets	325,000
Cost of goods sold	300,000	Inventory	60,000
Gross profit	**200,000**	Trade receivables	50,000
Expenses	120,000	Cash	40,000
Operating profit	**80,000**	**Current assets**	**150,000**
		Trade payables	45,000
		Bank overdraft	30,000
		Current liabilities	**75,000**
		Non-current liabilities	100,000
		Equity	300,000

$$\text{Working capital} = 150,000 - 75,000 = \boxed{\$75,000}$$

Balance check: Total assets $= 325,000+150,000 = 475,000$; Total claims $= 75,000+100,000+300,000 = 475,000$. ⍰

(!) Lỗi thường gặp: Gross profit only deducts the **direct** cost of making the goods sold (COGS); operating profit also deducts **overheads/expenses**. Never substitute gross profit where a ratio formula calls for operating (net) profit, and vice-versa.

3.6.1 How depreciation and inventory valuation affect the accounts

Two accounting adjustments have a particularly large effect on the figures above, and both are common sources of exam questions.

Depreciation: the annual depreciation charge for non-current assets is included within **expenses** on the income statement, reducing operating profit even though no fresh cash leaves the business that year; on the statement of financial position, non-current assets are shown at **net book value** (cost minus accumulated depreciation to date), which falls a little further every year as more depreciation accumulates.

Closing inventory: COGS $=$ Opening inventory$+$Purchases$-$Closing inventory. Because closing inventory is *subtracted*, a **higher** closing inventory value directly **lowers** COGS and therefore **raises** gross and operating profit, while a **lower** closing inventory value **raises** COGS and **lowers** profit. The closing inventory figure also becomes the "Inventory" line under current assets on the statement of financial position, so any error in its valuation distorts *both* statements simultaneously.

Worked example: Tracing COGS to the inventory figures

Using the accounts above, suppose opening inventory was $45,000 and purchases during the year were $315,000, with closing inventory of $60,000 (matching the $60,000 shown as Inventory on the statement of financial position).

$$\text{COGS} = 45,000 + 315,000 - 60,000 = \boxed{\$300,000}$$

This matches the $300,000 cost of goods sold used above. Now suppose the closing inventory count was mistakenly **overstated** by $8,000 (recorded as $68,000 instead of $60,000):

$$\text{COGS}_{\text{error}} = 45,000 + 315,000 - 68,000 = \$292,000 \quad (\text{understated by } \$8,000)$$

Gross profit would then appear as $500,000 - 292,000 = \$208,000$ instead of the correct $200,000 — an $8,000 **overstatement** of profit caused entirely by the inventory error, which would also overstate current assets (and working capital) by $8,000 on the statement of financial position.

GIẢI THÍCH TIẾNG VIỆT

VN Khấu hao được tính vào "Expenses" trên income statement (làm giảm operating profit) dù không có tiền mặt thực sự rời khỏi doanh nghiệp năm đó; trên statement of financial position, tài sản cố định hiển thị theo giá trị còn lại (net book value = nguyên giá − khấu hao luỹ kế). Giá trị hàng tồn kho cuối kỳ (closing inventory) càng CAO thì COGS càng THẤP và lợi nhuận càng CAO (vì công thức COGS $=$ tồn đầu kỳ $+$ mua vào $-$ tồn cuối kỳ) — đây là lý do vì sao định giá hàng tồn kho sai lệch có thể "thổi phồng" lợi nhuận báo cáo.

3.6.2 Capital expenditure versus revenue expenditure

Every business payment is classified as either **capital expenditure** — spending on a non-current asset that will provide benefit over *several* years (machinery, vehicles, buildings, computer equipment) — or **revenue expenditure** — day-to-day spending needed to run the business, whose benefit is used up *within* the current accounting period (wages, rent, raw materials, utility bills, insurance).

This distinction matters because of *where* each type of spending appears in the accounts. Capital expenditure is recorded as a **non-current asset** on the statement of financial position and then gradually charged to the income statement over time via **depreciation**. Revenue expenditure is charged **immediately and in full** as an expense on the income statement in the period it is incurred. Misclassifying a cost — for example, wrongly treating the purchase of a new delivery van (capital expenditure) as an ordinary running expense (revenue expenditure) — would understate non-current assets on the statement of financial position and dramatically understate profit in the year of purchase, followed by an equally dramatic overstatement of profit in every later year, since no further depreciation would be charged against an asset that was never capitalised.

Worked example: Classifying capital and revenue expenditure

Classify each transaction of a bakery as capital or revenue expenditure: (a) buying a new commercial oven for $18,000; (b) paying $1,200 in monthly staff wages; (c) an extension built onto the shop to add seating, costing $45,000; (d) buying flour and sugar for $600.

(a) **Capital expenditure** — a non-current asset providing benefit over many years. (b) **Revenue expenditure** — routine running cost, benefit used up immediately. (c) **Capital expenditure** — a permanent improvement to a non-current asset (the premises) with a multi-year benefit. (d) **Revenue expenditure** — raw materials consumed in the current period's production.

VN **GIẢI THÍCH TIẾNG VIỆT**

Chi tiêu vốn (capital expenditure) mua tài sản cố định có lợi ích nhiều năm — ghi nhận trên statement of financial position và phân bổ dần qua khấu hao. Chi tiêu thường xuyên (revenue expenditure) là chi phí vận hành hàng ngày — ghi nhận toàn bộ ngay trên income statement của kỳ đó. Phân loại sai giữa hai loại này sẽ làm sai lệch nghiêm trọng cả lợi nhuận báo cáo lẫn giá trị tài sản trên sổ sách trong nhiều năm liền.

3.6.3 Reserves and retained earnings within equity

The **equity** figure on the statement of financial position is not simply the cash originally invested by shareholders — it also includes accumulated **reserves**, the most important of which is **retained earnings**: the cumulative total of all past years' profit that has been reinvested in the business rather than paid out as dividends (this is the same "retained profit" identified in Section 3.1 as the cheapest source of internal finance). Each year's operating profit, after tax and any dividends paid to shareholders, flows into retained earnings and therefore increases total equity — which is exactly why a consistently profitable business tends to see its equity grow year after year even without raising any new share capital.

3.7 Ratio analysis

Ratio analysis turns the raw figures in the final accounts into standardised percentages/multiples that can be compared over time, against competitors, or against an industry average. **Profitability ratios** measure how efficiently profit is generated from sales and capital; **liquidity ratios** measure the ability to pay short-term debts as they fall due.

$$GPM = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 \qquad \text{Profit margin} = \frac{\text{Operating profit}}{\text{Sales revenue}} \times 100 \qquad ROCE = \frac{\text{Operating profit}}{\text{Capital employed}} \times 100$$

where Capital employed = Non-current liabilities + Equity.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \qquad \text{Acid test (quick) ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

A current ratio around **1.5–2:1** is generally considered comfortable for most businesses — too low risks being unable to pay short-term debts, while too high may suggest cash or inventory are being used inefficiently. The acid test excludes inventory (the least liquid current asset, since it must first be sold and the cash collected) and an ideal value is closer to **1:1**.

Worked example: Ratio analysis (Scenario A)

Using the accounts from Section 3.6:

$$GPM = \frac{200,000}{500,000} \times 100 = \boxed{40\%} \qquad \text{Profit margin} = \frac{80,000}{500,000} \times 100 = \boxed{16\%}$$

$$\text{Capital employed} = 100,000 + 300,000 = \$400,000 \qquad ROCE = \frac{80,000}{400,000} \times 100 = \boxed{20\%}$$

$$\text{Current ratio} = \frac{150,000}{75,000} = \boxed{2.0} \qquad \text{Acid test} = \frac{150,000 - 60,000}{75,000} = \frac{90,000}{75,000} = \boxed{1.2}$$

GIẢI THÍCH TIẾNG VIỆT

VN Tỷ số lợi nhuận (GPM, profit margin, ROCE) đo hiệu quả sinh lời từ doanh thu và vốn sử dụng; tỷ số thanh khoản (current ratio, acid test) đo khả năng trả nợ ngắn hạn. Current ratio lý tưởng thường 1.5–2:1; acid test khoảng 1:1 (loại bỏ hàng tồn kho vì khó bán gấp thành tiền mặt).

3.7.1 Efficiency and gearing ratios [HL only]

Efficiency ratios show how well a business manages its working capital — how quickly it turns inventory into sales, and how quickly it collects and pays cash:

$$\text{Inventory turnover} = \frac{\text{COGS}}{\text{Inventory}} \text{ (times/year)} \qquad \text{Debtor days} = \frac{\text{Trade receivables}}{\text{Sales revenue}} \times 365$$

$$\text{Creditor days} = \frac{\text{Trade payables}}{\text{COGS}} \times 365$$

The **gearing ratio** measures financial risk by showing what proportion of the capital employed is financed by long-term debt rather than equity:

$$\text{Gearing} = \frac{\text{Non-current liabilities}}{\text{Capital employed}} \times 100$$

A gearing ratio above roughly **50%** is generally considered **highly geared** — the business is heavily reliant on borrowed money and faces greater financial risk from fixed interest obligations, especially if profit or cash flow falls.

Worked example: [HL] Efficiency and gearing (Scenario A)

Continuing the accounts from Section 3.6 (COGS $= \$300,000$, Inventory $= \$60,000$, Receivables $= \$50,000$, Sales $= \$500,000$, Payables $= \$45,000$, Capital employed $= \$400,000$, Non-current liabilities $= \$100,000$):

$$\text{Inventory turnover} = \frac{300,000}{60,000} = \boxed{5 \text{ times/year}} \left(\approx \frac{365}{5} = 73 \text{ days}\right)$$

$$\text{Debtor days} = \frac{50,000}{500,000} \times 365 \approx \boxed{37 \text{ days}} \qquad \text{Creditor days} = \frac{45,000}{300,000} \times 365 \approx \boxed{55 \text{ days}}$$

$$\text{Gearing} = \frac{100,000}{400,000} \times 100 = \boxed{25\%} \text{ (low-geared)}$$

Worked example: Ratio analysis, efficiency and gearing (Scenario B, combined)

A different firm reports: Sales revenue \$600,000; COGS \$360,000; Gross profit \$240,000; Expenses \$150,000; Operating profit \$90,000. Statement of financial position: Non-current assets \$470,000; Inventory \$30,000; Receivables \$30,000; Cash \$20,000 (Current assets $= \$80,000$); Trade payables \$35,000; Bank overdraft \$15,000 (Current liabilities $= \$50,000$); Non-current liabilities (bank loan) \$150,000; Equity \$350,000.

Balance check: $470,000 + 80,000 = 550,000 = 50,000 + 150,000 + 350,000.$?

$$GPM = \frac{240,000}{600,000} \times 100 = \boxed{40\%} \qquad \text{Profit margin} = \frac{90,000}{600,000} \times 100 = \boxed{15\%}$$

$$\text{Capital employed} = 150,000 + 350,000 = \$500,000 \qquad ROCE = \frac{90,000}{500,000} \times 100 = \boxed{18\%}$$

$$\text{Current ratio} = \frac{80,000}{50,000} = \boxed{1.6} \qquad \text{Acid test} = \frac{80,000 - 30,000}{50,000} = \frac{50,000}{50,000} = \boxed{1.0}$$

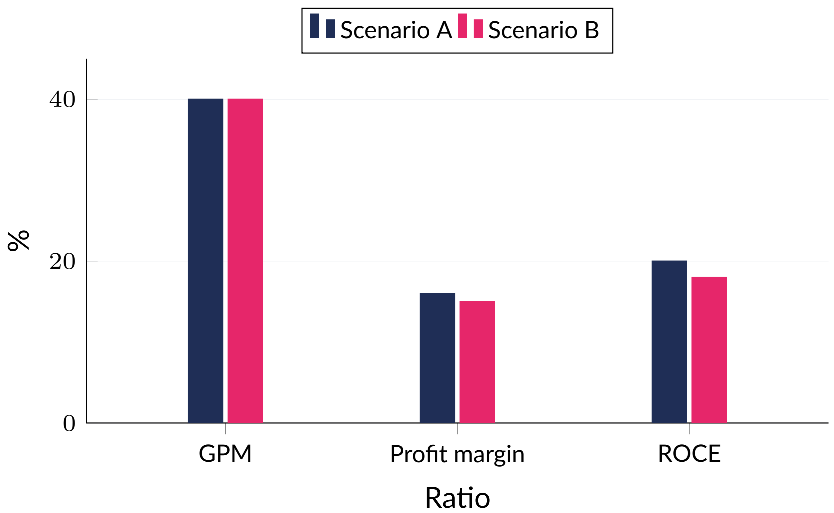
[HL]

$$\text{Inventory turnover} = \frac{360,000}{30,000} = \boxed{12 \text{ times/year}} \left(\approx \frac{365}{12} = 30.4 \text{ days}\right)$$

$$\text{Debtor days} = \frac{30,000}{600,000} \times 365 \approx \boxed{18.3 \text{ days}} \qquad \text{Creditor days} = \frac{35,000}{360,000} \times 365 \approx \boxed{35.5 \text{ days}}$$

$$\text{Gearing} = \frac{150,000}{500,000} \times 100 = \boxed{30\%} \text{ (low-geared, comfortably below } 50\%)$$

This firm converts inventory into sales much faster (12 times/year, roughly every 30 days) than the Scenario A firm (5 times/year, roughly every 73 days) and collects cash from customers faster too (18.3 vs 37 debtor days) — both signs of tighter, more efficient working-capital management.



Profitability ratios side by side: both firms share an identical 40% gross profit margin, but Scenario A converts slightly more of each sales dollar into operating profit (16% vs 15%) and generates a higher return on the capital invested in the business (ROCE 20% vs 18%).

Worked example: Comparing two firms' liquidity

A bank is deciding whether Firm P or Firm Q is the safer short-term borrower. Firm P: current assets \$250,000 (of which inventory $= \$180,000$), current liabilities \$100,000. Firm Q: current assets \$150,000 (of which inventory $= \$30,000$), current liabilities \$100,000.

$$\text{Current ratio, P} = \frac{250,000}{100,000} = \boxed{2.5} \qquad \text{Current ratio, Q} = \frac{150,000}{100,000} = \boxed{1.5}$$

$$\text{Acid test, P} = \frac{250,000 - 180,000}{100,000} = \frac{70,000}{100,000} = \boxed{0.7} \qquad \text{Acid test, Q} = \frac{150,000 - 30,000}{100,000} = \frac{120,000}{100,000} = \boxed{1.2}$$

On the current ratio alone, Firm P looks far safer (2.5 vs 1.5). However, once slow-to-sell inventory is excluded, **Firm Q is actually more liquid** (acid test 1.2 vs only 0.7 for Firm P): a very large share of Firm P's current assets is tied up in inventory that must first be sold and converted to cash, which may not happen quickly enough to meet short-term debts. This shows why relying on the current ratio in isolation can be misleading for a business holding unusually high inventory levels.

Worked example: Trend analysis across two years

A firm's ROCE was 14% two years ago and 20% this year (the Scenario A firm from Section 3.6). Its current ratio moved from 2.4 to 2.0 over the same period.

Comment: the rising ROCE (14% → 20%) suggests the firm is generating profit *more* efficiently from the capital invested in it — a positive trend worth investigating further (e.g. higher margins, more efficient asset use, or a fall in capital employed). The falling current ratio (2.4 → 2.0) is not necessarily a concern in isolation — both values remain comfortably within the typical 1.5–2:1 benchmark — but a continuing downward trend over several more years could eventually signal tightening liquidity and would be worth monitoring, especially alongside the acid test ratio and the cash flow forecast.

3.7.2 Limitations of ratio analysis

Ratios are powerful but incomplete tools. They are calculated from **historic** data (the accounts may already be several months old by the time they are published) and provide **no context** on their own — a current ratio of 1.6 means little without comparing it against the firm's own past ratios, a rival's ratios, or an industry average. Ratios also ignore important **qualitative factors** such as management quality, staff morale, brand strength, product innovation and the wider economic/competitive environment. Finally, businesses may use **different accounting policies** (e.g. different depreciation methods or inventory valuation methods), which can make direct comparisons between two firms misleading even when their underlying performance is similar.

(!) Lỗi thường gặp: A single ratio calculated in isolation, for a single year, proves very little. Strong exam answers always compare a ratio against a benchmark (a prior year, a competitor, or an industry average) and consider at least one plausible *non-financial* explanation before drawing a conclusion.

Window dressing refers to legal (but sometimes misleading) techniques used to make a set of accounts appear stronger than the underlying business reality — for example, delaying a large purchase of inventory until just after the year-end to temporarily inflate the current ratio, or selling and immediately leasing back an asset shortly before the accounts are prepared to boost the reported cash position. Ratios calculated from "dressed" accounts can look excellent while disguising a much weaker underlying trend, which is another reason ratio analysis should never be relied on in isolation from other evidence.

3.8 Cash flow

Cash flow — the actual movement of cash in and out of a business — is **not** the same as profit, an accounting measure that includes credit sales not yet collected and non-cash items such as depreciation. A business can be profitable "on paper" and still become **insolvent** (run out of cash and be unable to pay its debts) if cash is tied up elsewhere in the business.

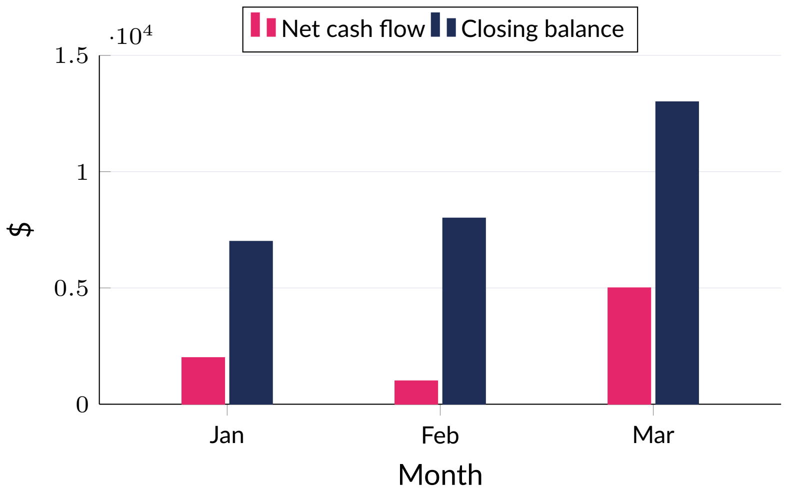
Worked example: Cash flow forecast

	Jan	Feb	Mar
Opening balance	5,000	7,000	8,000
Total inflows	20,000	22,000	25,000
Total outflows	18,000	21,000	20,000
Net cash flow	2,000	1,000	5,000
Closing balance	**7,000**	**8,000**	**13,000**

Each month: Net cash flow = Inflows − Outflows, and Closing balance = Opening balance + Net cash flow, which then becomes the following month's opening balance (e.g. January's \$7,000 closing balance becomes February's \$7,000 opening balance).

Ways to improve cash flow include:

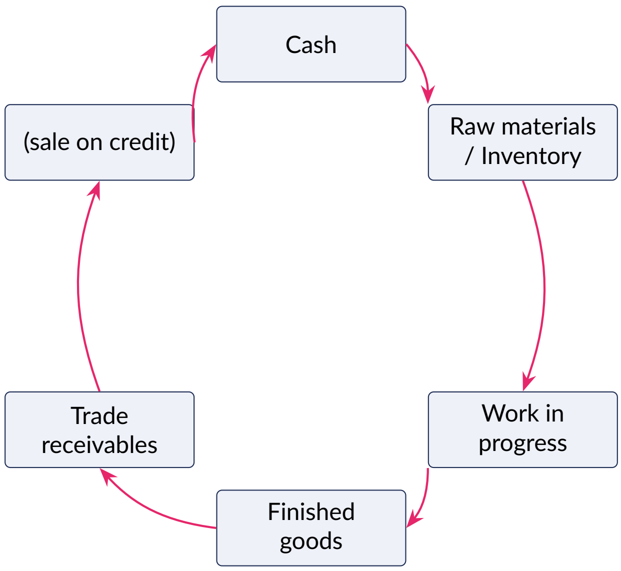
- Negotiating **longer trade credit** terms from suppliers, delaying cash outflows without incurring interest.
- **Chasing trade receivables** faster, or offering customers an early-payment discount to encourage quicker settlement of invoices.
- Arranging an **overdraft facility** in advance of a known cash-flow gap, rather than waiting until the gap actually occurs.
- **Factoring** trade receivables to a third party for an immediate (discounted) cash payment (see the worked example in Section 3.1).
- A **sale-and-leaseback** of an owned asset, converting an illiquid non-current asset into an immediate cash lump sum in exchange for an ongoing lease cost.



Net cash flow and closing balance from the Jan–Mar forecast above. The closing balance keeps rising even though net cash flow dips in February, because it accumulates the running total from prior months.

3.8.1 The working capital cycle

The **working capital cycle** traces how cash flows through a trading business: cash is used to buy raw materials/inventory, which is converted (through work-in-progress) into finished goods, which are sold — often on credit — to customers as trade receivables, who eventually pay, turning the cycle back into cash. The **longer** this cycle takes, the more cash is tied up at any one time, and the greater the risk of a cash shortage even in a genuinely profitable business.



The working capital cycle: cash → raw materials/inventory → work-in-progress → finished goods → sale on credit → trade receivables → back to cash. A shorter cycle recycles cash faster and reduces the risk of a shortfall.

> A rapidly growing, genuinely profitable business can still run out of cash — a situation called **overtrading** — if it expands sales faster than its working capital cycle can support. Cash becomes trapped simultaneously in higher inventory levels (to meet growing demand) and higher trade receivables (as more sales are made on credit to win new customers), leaving too little actual cash on hand to pay wages, suppliers and other short-term bills, even though the income statement shows a healthy profit.

Worked example: [HL] The cash operating cycle in days

The length of the working capital cycle can be estimated directly from the efficiency ratios already calculated in Section 3.7:

$$\text{Cash operating cycle} = \text{Inventory days} + \text{Debtor days} - \text{Creditor days}$$

Using the Scenario A efficiency ratios (inventory turnover ≈ 73 days, debtor days ≈ 37, creditor days ≈ 55):

$$\text{Cash operating cycle} = 73 + 37 - 55 = \boxed{55 \text{ days}}$$

This firm's cash is tied up, on average, for **55 days** between paying for inventory and finally collecting cash from customers (after allowing for the 55 days of credit it in turn receives from its own suppliers). Shortening this cycle — by turning over inventory faster, collecting from customers sooner, or negotiating longer supplier credit — directly reduces the amount of working capital the business needs to fund at any one time.

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Lợi nhuận (profit) và dòng tiền (cash flow) KHÔNG giống nhau — doanh nghiệp có lãi trên sổ sách vẫn có thể phá sản vì hết tiền mặt (insolvency/overtrading) nếu tiền bị "kẹt" trong hàng tồn kho hoặc công nợ phải thu quá lâu. Chu trình vốn lưu động (working capital cycle) càng ngắn, doanh nghiệp càng ít rủi ro thiếu hụt tiền mặt dù đang tăng trưởng nhanh.

(!) Lỗi thường gặp: Do not assume a firm reporting strong operating profit is automatically financially safe in the short term. Always check working capital, the cash flow forecast, and the length of the working capital cycle before concluding that a profitable business is not at risk of insolvency.

Worked example: Sale-and-leaseback

A firm owns its warehouse, which has a net book value of \$150,000. It sells the warehouse for \$200,000 to a property investor and immediately signs a lease to rent the same building back at \$2,000 per month.

Profit on disposal $= 200,000 - 150,000 = \boxed{\$50,000}$ New annual rent cost $= 2,000 \times 12 = \boxed{\$24,000}$

The firm receives an immediate \$200,000 cash injection (solving a short-term cash-flow problem) and books a one-off \$50,000 accounting profit on disposal, but it no longer owns the warehouse and commits to a new recurring cost of \$24,000 per year indefinitely — a useful illustration of how solving a cash-flow problem today can create an ongoing cost obligation for the future.

3.9 Investment appraisal

Businesses use **investment appraisal** to judge whether a capital project (e.g. new machinery, a new store) is financially worthwhile before committing funds.

- **Payback period** — how long it takes for cumulative net cash inflows to repay the initial investment. Simple to calculate and directly shows liquidity risk, but it ignores any profit earned *after* the payback point and ignores the time value of money.
- **Average Rate of Return (ARR)** $= \dfrac{\text{Average annual profit}}{\text{Initial investment}} \times 100$. Shows overall profitability over the

whole life of the project, but ignores *when* the cash flows occur and still ignores the time value of money.

- **[HL] Net Present Value (NPV)** discounts every future cash flow back to today's value (using given discount factors) to account for the **time value of money** — the principle that $1 received today is worth more than $1 received in the future, because today's dollar could be invested/earn interest in the meantime — then subtracts the initial investment. $NPV > 0$ means the project is expected to earn more than the required rate of return, so it should be **accepted**.

Worked example: Payback, ARR and NPV (Scenario A)

Initial investment $= \$100,000$. Projected net cash flows: Year 1 $30,000; Year 2 $40,000; Year 3 $50,000; Year 4 $30,000.

Payback: cumulative cash flow $= 30,000 \to 70,000 \to 120,000$ — payback falls during Year 3 (cumulative first exceeds $100,000 in Year 3). Amount still to recover at the start of Year 3 $= 100,000 - 70,000 = \$30,000$.

$$\text{Extra time} = \frac{30,000}{50,000} \times 12 = 7.2 \text{ months} \Rightarrow \boxed{\text{Payback} \approx 2 \text{ years } 7.2 \text{ months}}$$

ARR: Total cash inflow $= 30,000 + 40,000 + 50,000 + 30,000 = 150,000$. Total profit $= 150,000 - 100,000 = 50,000$. Average annual profit $= 50,000/4 = 12,500$.

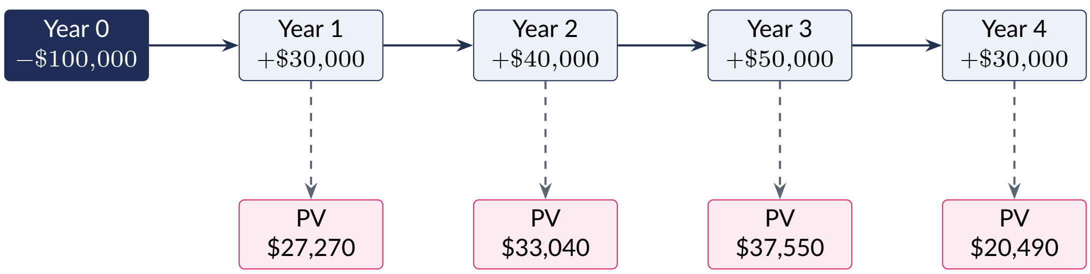
$$ARR = \frac{12,500}{100,000} \times 100 = \boxed{12.5\%}$$

[HL] NPV at 10% (discount factors: Y1 0.909, Y2 0.826, Y3 0.751, Y4 0.683):

	Y1	Y2	Y3	Y4
Cash flow ($)	30,000	40,000	50,000	30,000
Discount factor	0.909	0.826	0.751	0.683
Present value ($)	27,270	33,040	37,550	20,490

Sum of present values $= 27,270 + 33,040 + 37,550 + 20,490 = 118,350$.

$$NPV = 118,350 - 100,000 = \boxed{\$18,350} \text{ (positive} \Rightarrow \text{accept)}$$



Discounted cash flow timeline for Scenario A: each future inflow (Years 1–4) is discounted back to a present value (PV) at 10%; summing the four PVs and subtracting the $100,000 Year-0 outflow gives $NPV = \$18,350$.

Worked example: Payback and ARR (Scenario B)

Initial investment $= \$80,000$. Projected net cash flows: Year 1 $25,000; Year 2 $35,000; Year 3 $40,000; Year 4 $20,000.

Payback: cumulative cash flow $= 25,000 \to 60,000 \to 100,000$ — payback falls during Year 3. Amount still to recover at the start of Year 3 $= 80,000 - 60,000 = \$20,000$.

$$\text{Extra time} = \frac{20,000}{40,000} \times 12 = 6 \text{ months} \Rightarrow \boxed{\text{Payback} = 2 \text{ years } 6 \text{ months}}$$

ARR: Total cash inflow $= 25,000+35,000+40,000+20,000 = 120,000$. Total profit $= 120,000-80,000 = 40,000$. Average annual profit $= 40,000/4 = 10,000$.

$$ARR = \frac{10,000}{80,000} \times 100 = \boxed{12.5\%}$$

Worked example: [HL] NPV (Scenario B, discount rate 12%)

Using the same Scenario B project (initial investment $80,000; cash flows Y1 $25,000, Y2 $35,000, Y3 $40,000, Y4 $20,000) and discount factors at 12% (Y1 0.893, Y2 0.797, Y3 0.712, Y4 0.636):

	Y1	Y2	Y3	Y4
Cash flow ($)	25,000	35,000	40,000	20,000
Discount factor	0.893	0.797	0.712	0.636
Present value ($)	22,325	27,895	28,480	12,720

Sum of present values $= 22,325 + 27,895 + 28,480 + 12,720 = 91,420$.

$$NPV = 91,420 - 80,000 = \boxed{\$11,420} \text{ (positive} \Rightarrow \text{accept)}$$

Note that the same project has a shorter payback (2 years 6 months) and a lower ARR (12.5%) than Scenario A, yet the higher 12% discount rate here (versus 10% in Scenario A) still leaves a healthy positive NPV, confirming the project comfortably clears its required rate of return.

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Payback period: thời gian thu hồi vốn đầu tư ban đầu từ dòng tiền tích luỹ. ARR = lợi nhuận bình quân năm / vốn đầu tư ban đầu $\times 100\%$. [HL] NPV chiết khấu TẤT CẢ dòng tiền tương lai về giá trị hiện tại bằng hệ số chiết khấu (discount factor) $1/(1+r)^n$, rồi trừ đi vốn đầu tư ban đầu — NPV dương nghĩa là dự án sinh lời cao hơn mức lợi nhuận yêu cầu (discount rate) nên NÊN chấp nhận.

Worked example: Comparing two projects — why timing matters

A firm can only afford one of two mutually exclusive projects, each requiring an initial investment of $90,000 over 4 years, and wants to compare them using payback, ARR and (at HL) NPV.

	Y1	Y2	Y3	Y4	Total
Project A ($)	30,000	30,000	30,000	30,000	120,000
Project B ($)	50,000	40,000	20,000	10,000	120,000

Both projects have identical total cash inflow ($120,000), so both have identical total profit

($120,000 - 90,000 = 30,000$), identical average annual profit ($30,000/4 = 7,500$), and therefore **identical ARR**:

$$ARR_A = ARR_B = \frac{7,500}{90,000} \times 100 = \boxed{8.3\%}$$

Payback tells a different story. Project A: cumulative $30,000 \to 60,000 \to 90,000$ — payback lands *exactly* at the end of **Year 3**. Project B: cumulative $50,000 \to 90,000$ — payback lands *exactly* at the end of **Year 2**, a full year sooner, because Project B's cash flows are **front-loaded**.

[HL] NPV at 10% (discount factors: Y1 0.909, Y2 0.826, Y3 0.751, Y4 0.683):

$$NPV_A = (30,000 \times 0.909) + (30,000 \times 0.826) + (30,000 \times 0.751) + (30,000 \times 0.683) - 90,000$$
$$= 27,270 + 24,780 + 22,530 + 20,490 - 90,000 = 95,070 - 90,000 = \boxed{\$5,070}$$
$$NPV_B = (50,000 \times 0.909) + (40,000 \times 0.826) + (20,000 \times 0.751) + (10,000 \times 0.683) - 90,000$$
$$= 45,450 + 33,040 + 15,020 + 6,830 - 90,000 = 100,340 - 90,000 = \boxed{\$10,340}$$

Conclusion: despite *identical* ARR, Project B is superior on *both* payback (2 years vs 3 years) and NPV ($10,340 vs $5,070), because its cash flows arrive earlier and are therefore worth more once the time value of money is properly accounted for. This is the clearest illustration of why ARR alone can be dangerously misleading when comparing projects with differently timed cash flows — and why NPV, despite being the most complex method, is generally regarded as the most reliable for HL investment decisions.

3.9.1 Non-financial factors in investment decisions

No investment appraisal method captures every factor relevant to a real decision. Managers should also weigh **qualitative factors**: the strategic fit of the project with the company's objectives and brand, its impact on staff morale and workload, environmental and community consequences, the reliability of the cash-flow forecasts themselves (which are only estimates), and the risk of the competitive environment changing before the project is complete. A project with a slightly lower NPV that better matches the firm's ethical objectives or long-term strategy may still be the right choice.

Worked example: [HL] Sensitivity of NPV to the discount rate

Revisit Scenario A (initial investment $100,000; cash flows Y1 $30,000, Y2 $40,000, Y3 $50,000, Y4 $30,000), which gave $NPV = +\$18,350$ at a 10% discount rate. Now recalculate at a much higher required rate of **20%** (discount factors: Y1 0.833, Y2 0.694, Y3 0.579, Y4 0.482):

	Y1	Y2	Y3	Y4
Cash flow ($)	30,000	40,000	50,000	30,000
Discount factor	0.833	0.694	0.579	0.482
Present value ($)	24,990	27,760	28,950	14,460

Sum of present values $= 24,990 + 27,760 + 28,950 + 14,460 = 96,160$.

$$NPV = 96,160 - 100,000 = \boxed{-\$3,840} \text{ (negative} \Rightarrow \text{reject)}$$

Simply raising the required rate of return from 10% to 20% (with *identical* cash flows) flips this project from a healthy positive NPV of $18,350 to a negative NPV of $-\$3,840$ — the accept/reject decision itself depends entirely on which discount rate management chooses, which is precisely why NPV's sensitivity to that single assumption is treated as such an important limitation of the method.

3.9.2 Limitations of investment appraisal methods

Payback ignores all profit earned *after* the payback point and ignores the time value of money — a project with a short payback but poor long-run profitability could be wrongly preferred over a far more profitable project that simply takes longer to repay. **ARR** accounts for total profitability over the project's life but ignores *when* cash flows occur (two projects with identical ARR but very differently timed cash flows are treated as equally attractive, which is misleading) and, like payback, ignores the time value of money. **[HL] NPV** directly addresses the time value of money, but its result depends heavily on the **discount rate chosen** (a small change in the assumed rate can flip a project from a positive to a negative NPV) and on cash flow **estimates** that are themselves uncertain forecasts, not guaranteed outcomes; it is also more complex to calculate and communicate to non-specialist stakeholders than payback or ARR.

(!) Lỗi thường gặp: Never simply subtract the discount rate (as a percentage) from a cash flow — a discount factor must be calculated (or looked up) using $1/(1+r)^n$ and then **multiplied** by the cash flow for that year. Also remember that a longer payback period is not automatically "bad": it must always be judged alongside the project's total profitability (ARR and/or NPV), not in isolation.

Tổng kết Unit 3: $TC = FC + VC$; $Q_{BE} = FC/(P - VC_{unit})$; higher FC or lower contribution $\Rightarrow$ higher Q_{BE}. Budget variance: revenue actual $>$ budget $=$ Favourable; cost actual $>$ budget $=$ Adverse. Straight-line depreciation $=$ equal charge every year; reducing-balance $=$ % of NBV, falling charge over time. GPM, profit margin, $ROCE$ (profitability); current ratio, acid test (liquidity); [HL] inventory turnover, debtor/creditor days (efficiency), gearing (financial risk, $> 50\%$ high). Payback (speed, ignores later profit/time value); ARR (overall %, ignores timing); [HL] NPV (discounts cash flows, accept if > 0, sensitive to the chosen discount rate).

Worked example: Integrated case study — GreenBrew Ltd

GreenBrew Ltd manufactures reusable coffee cups. Fixed costs are $42,000/year, the selling price is $15/cup, and the variable cost is $9/cup. This year it sold 12,000 cups.

Part (a) — Break-even and margin of safety:

$$\text{Contribution} = 15 - 9 = \$6 \qquad Q_{BE} = \frac{42,000}{6} = \boxed{7,000 \text{ units}} \qquad \text{Margin of safety} = 12,000 - 7,000 = \boxed{5,000}$$

Part (b) — Final accounts and ratios: Sales $= 15 \times 12,000 = \$180,000$; COGS $= 9 \times 12,000 = \$108,000$; Gross profit $= \$72,000$; Expenses (including the $42,000 fixed costs plus $8,000 other overheads) $= \$50,000$; Operating profit $= \boxed{\$22,000}$.

Statement of financial position	
Non-current assets	150,000
Inventory / Receivables / Cash	20,000 / 25,000 / 15,000
Current assets	**60,000**
Trade payables / Bank overdraft	22,000 / 8,000
Current liabilities	**30,000**
Non-current liabilities	60,000
Equity	120,000

Balance check: $150,000 + 60,000 = 210,000 = 30,000 + 60,000 + 120,000.$

$$GPM = \frac{72,000}{180,000} \times 100 = \boxed{40\%} \qquad \text{Profit margin} = \frac{22,000}{180,000} \times 100 \approx \boxed{12.2\%}$$

Capital employed $= 60,000 + 120,000 = 180,000$; $ROCE = \dfrac{22,000}{180,000} \times 100 \approx \boxed{12.2\%}$.

$$\text{Current ratio} = \frac{60,000}{30,000} = \boxed{2.0} \qquad \text{Acid test} = \frac{60,000 - 20,000}{30,000} = \frac{40,000}{30,000} \approx \boxed{1.33}$$

Part (c) — Investment appraisal: GreenBrew is considering a new $50,000 moulding machine, expected to generate extra net cash flows of Y1 $18,000, Y2 $22,000, Y3 $20,000, Y4 $12,000.

Cumulative cash flow: $18,000 \to 40,000 \to 60,000$ — payback occurs during Year 3. Remaining at the start of Year 3 $= 50,000 - 40,000 = 10,000$.

$$\text{Extra time} = \frac{10,000}{20,000} \times 12 = 6 \text{ months} \Rightarrow \boxed{\text{Payback} = 2 \text{ years } 6 \text{ months}}$$

Total cash inflow $= 18,000 + 22,000 + 20,000 + 12,000 = 72,000$. Total profit $= 72,000 - 50,000 = 22,000$. Average annual profit $= 22,000/4 = 5,500$.

$$ARR = \frac{5,500}{50,000} \times 100 = \boxed{11\%}$$

[HL] NPV at 9% (discount factors: Y1 0.917, Y2 0.842, Y3 0.772, Y4 0.708):

	Y1	Y2	Y3	Y4
Cash flow ($)	18,000	22,000	20,000	12,000
Discount factor	0.917	0.842	0.772	0.708
Present value ($)	16,506	18,524	15,440	8,496

Sum of present values $= 16,506 + 18,524 + 15,440 + 8,496 = 58,966$.

$$NPV = 58,966 - 50,000 = \boxed{\$8,966} \text{ (positive} \Rightarrow \text{accept)}$$

Overall conclusion: GreenBrew is a comfortably profitable, reasonably liquid business (GPM 40%, current ratio 2.0, margin of safety 5,000 units above break-even) with adequate capacity to fund the $50,000 machine — and the new machine itself clears its payback, ARR and NPV tests, making it a financially sound investment alongside GreenBrew's existing operations.

3.10 Practice bank

Bài tập luyện tập

A firm has fixed costs of $9,000/month, sells at $15/unit, with a variable cost of $9/unit. (a) Calculate the break-even output. (b) Calculate the output needed for a target profit of $3,000/month. (c) If actual sales are 1,800 units, calculate the margin of safety.

Lời giải chi tiết

Contribution $= 15 - 9 = \$6$.

$$\text{(a) } Q_{BE} = \frac{9,000}{6} = \boxed{1,500 \text{ units}} \qquad \text{(b) Target output} = \frac{9,000 + 3,000}{6} = \boxed{2,000 \text{ units}}$$

(c) Margin of safety $= 1,800 - 1,500 = \boxed{300 \text{ units}}$.

Bài tập luyện tập

A business reports: Sales revenue $240,000; COGS $150,000; Expenses $50,000. Statement of financial position: Current assets $80,000 (Inventory $30,000, Receivables $20,000, Cash $30,000); Current liabilities $40,000; Non-current liabilities $60,000; Equity $180,000. Calculate the GPM, profit margin, ROCE, current ratio, and acid test ratio.

Lời giải chi tiết

Gross profit $= 240,000 - 150,000 = 90,000$. Operating profit $= 90,000 - 50,000 = 40,000$.

$$GPM = \frac{90,000}{240,000} \times 100 = \boxed{37.5\%} \qquad \text{Profit margin} = \frac{40,000}{240,000} \times 100 \approx \boxed{16.7\%}$$

Capital employed $= 60,000 + 180,000 = 240,000$; $ROCE = \dfrac{40,000}{240,000} \times 100 \approx \boxed{16.7\%}$.

$$\text{Current ratio} = \frac{80,000}{40,000} = \boxed{2.0} \qquad \text{Acid test} = \frac{80,000 - 30,000}{40,000} = \boxed{1.25}$$

Bài tập luyện tập

A café owner delays paying her flour supplier for 60 days instead of the usual 30, to preserve cash for a new oven. This is an example of:

(A) Trade credit
(B) Bank overdraft
(C) Debt factoring
(D) Leasing

Lời giải chi tiết

Delaying payment to a supplier is the definition of using (extended) **trade credit** as a source of short-term finance. **(A)**.

Bài tập luyện tập

A project requires an initial investment of $60,000, with projected net cash flows of Y1 $20,000, Y2 $25,000, Y3 $20,000, Y4 $15,000. Calculate the payback period (in years and months) and the ARR.

Lời giải chi tiết

Cumulative: Y1 $20,000 \to$ Y2 $45,000 \to$ Y3 $65,000$ — payback occurs during Year 3. Remaining at the start of Y3 $= 60,000 - 45,000 = 15,000$.

$$\text{Extra time} = \frac{15,000}{20,000} \times 12 = 9 \text{ months} \Rightarrow \boxed{\text{Payback} = 2 \text{ years } 9 \text{ months}}$$

Total cash inflow $= 20,000 + 25,000 + 20,000 + 15,000 = 80,000$. Total profit $= 80,000 - 60,000 = 20,000$. Average annual profit $= 5,000$.

$$ARR = \frac{5,000}{60,000} \times 100 \approx \boxed{8.3\%}$$

Bài tập luyện tập

[HL] Using the same project as above (initial investment $60,000; cash flows Y1 $20,000, Y2 $25,000, Y3 $20,000, Y4 $15,000) and discount factors at 8% (Y1 0.926, Y2 0.857, Y3 0.794, Y4 0.735), calculate the NPV and state whether the project should be accepted.

Lời giải chi tiết

	Y1	**Y2**	**Y3**	**Y4**
Cash flow ($)	20,000	25,000	20,000	15,000
Discount factor	0.926	0.857	0.794	0.735
Present value ($)	18,520	21,425	15,880	11,025

Sum of PVs $= 18,520 + 21,425 + 15,880 + 11,025 = 66,850$. $NPV = 66,850 - 60,000 = \boxed{\$6,850}$. Since NPV is positive, the project **should be accepted** — it earns more than the required 8% return after accounting for the time value of money.

Bài tập luyện tập

A company offers its existing shareholders the right to buy additional new shares at a discounted price, in proportion to their current holding, in order to raise $2 million for expansion without approaching new outside investors. This is an example of:

(A) A rights issue
(B) A debenture
(C) Venture capital
(D) Crowdfunding

Lời giải chi tiết

Offering new shares first to *existing* shareholders, in proportion to their current holding and usually at a discount, is the definition of a **rights issue**. **(A)**.

Bài tập luyện tập

A small independent bakery urgently needs $5,000 to replace a broken oven so it can keep trading this week. It has no significant retained profit and no spare assets to sell. Recommend and justify **one** suitable source of finance for this specific situation.

Lời giải chi tiết

A **bank overdraft** (or a short-term bank loan) is most suitable. Justification: the amount required is relatively small and the need is **urgent** and short-term (fixing a broken oven this week), so a flexible facility that can be arranged quickly is more appropriate than a lengthy, larger long-term source such as a share issue or debenture, both of which would be disproportionate, slow to arrange, and unavailable to a small unlisted bakery in any case; trade credit is unlikely to cover a cash purchase of equipment, and retained profit/asset sales are explicitly unavailable here.

Bài tập luyện tập

A furniture factory's direct labour cost for making one specific chair is $40, while the factory's rent ($15,000/month) cannot be traced to that specific chair. The rent is best classified as:

(A) A direct cost

(B) A variable cost

(C) An indirect cost/overhead

(D) A semi-variable cost

Lời giải chi tiết

Rent cannot be attributed to any single unit of output and does not change with the level of production — it is a fixed, **indirect cost (overhead)**, shared across the whole factory. **(C)**.

Bài tập luyện tập

A firm produces 3,500 units at a total cost of $91,000 and sells all of them at $32 each. Calculate (a) average cost per unit, (b) average revenue per unit, and (c) total profit.

Lời giải chi tiết

$$\text{(a) } AC = \frac{91,000}{3,500} = \boxed{\$26} \qquad \text{(b) } AR = \frac{32 \times 3,500}{3,500} = \boxed{\$32}$$

(c) Profit per unit $= 32 - 26 = \$6$; total profit $= 6 \times 3,500 = \boxed{\$21,000}$.

Bài tập luyện tập

Explain **one** advantage a retail chain gains from treating each of its individual stores as a separate **profit centre** rather than reporting only one company-wide total.

Lời giải chi tiết

Treating each store as a profit centre lets head office **compare performance** store-by-store, quickly identifying which locations are thriving and which are underperforming so that resources (staff, stock, marketing budget) can be reallocated accordingly, and it increases the **accountability and motivation** of individual store managers, who can see the direct financial impact of their own decisions rather than having their results hidden inside a single company-wide figure.

Bài tập luyện tập

A firm has fixed costs of $18,000/month, sells at $25/unit, and has a variable cost of $15/unit. (a) Calculate the break-even output. (b) Calculate the output needed for a target profit of $6,000/month. (c) If actual sales are 2,200 units, calculate the margin of safety.

Lời giải chi tiết

Contribution $= 25 - 15 = \$10$.

(a) $Q_{BE} = \dfrac{18,000}{10} = \boxed{1,800 \text{ units}}$ (b) Target output $= \dfrac{18,000 + 6,000}{10} = \boxed{2,400 \text{ units}}$

(c) Margin of safety $= 2,200 - 1,800 = \boxed{400 \text{ units}}$.

Bài tập luyện tập

A firm currently has $FC = \$20,000$, $SP = \$50$, $VC = \$30$ (contribution $= \$20$, so $Q_{BE} = 1,000$ units). It is considering two separate changes: (i) a new lease that would raise FC to $24,000, or (ii) a renegotiated materials contract that would cut VC to $25/unit (with FC unchanged at $20,000). Calculate the new break-even output under each change, and state which change is more favourable if the firm currently sells 900 units/month.

Lời giải chi tiết

(i) Higher FC: $Q_{BE} = \dfrac{24,000}{20} = \boxed{1,200 \text{ units}}$ (worse — break-even rises).

(ii) Lower VC: new contribution $= 50 - 25 = \$25$; $Q_{BE} = \dfrac{20,000}{25} = \boxed{800 \text{ units}}$ (better — break-even falls).

At current sales of 900 units/month, option (i) would put the firm **below** its new break-even point (900 $<$ 1,200, i.e. making a loss), whereas option (ii) would put it **above** its new break-even point (900 $>$ 800, i.e. profitable). **Cutting variable cost (option ii) is clearly more favourable** in this situation.

Bài tập luyện tập

State **two** standard assumptions or limitations of break-even analysis, and explain why they may not hold for a firm that sells several different products from the same factory.

Lời giải chi tiết

(1) Break-even analysis in its simplest form assumes a **single product** with one selling price and one variable cost per unit — a firm selling several different products actually has several different contributions per unit, so a single combined break-even chart can only be an approximation (often using an average or "weighted" contribution) rather than a precise picture for the whole business. (2) It assumes selling price and variable cost per unit are **constant** at every level of output (straight lines), whereas in reality bulk-purchase discounts on materials, or price cuts needed to sell extra volume, would bend these lines and shift the true break-even point.

Bài tập luyện tập

A department budgeted $300,000 in sales revenue and $80,000 in marketing spend for the month. Actual results were sales revenue of $286,000 and marketing spend of $74,000. Calculate the variance for each line and classify it as favourable or adverse.

Lời giải chi tiết

Sales variance $= 286,000 - 300,000 = -14,000 \Rightarrow \boxed{\$14,000 \text{ Adverse}}$ (revenue came in below budget).

Marketing variance $= 74,000 - 80,000 = -6,000 \Rightarrow \boxed{\$6,000 \text{ Favourable}}$ (cost came in below budget, i.e. underspent).

Bài tập luyện tập

Explain **two** reasons a business prepares budgets even though actual results rarely match the budgeted figures exactly.

Lời giải chi tiết

(1) Budgets force managers to **plan ahead** systematically and **coordinate** the activities of different departments around a shared set of numerical targets, rather than each department acting independently. (2) Even when actual results differ from the budget, the budget still provides an essential **benchmark for control** — comparing actual to budgeted figures (variance analysis) highlights exactly where and why performance diverged from the plan, allowing management to investigate causes and take corrective action, and can also motivate staff when they have been involved in setting realistic targets.

Bài tập luyện tập

A factory's actual raw material cost for the month ($52,000) was lower than its budgeted cost ($55,000). This variance is:

(A) $3,000 favourable
(B) $3,000 adverse
(C) $7,000 favourable
(D) $107,000 adverse

Lời giải chi tiết

Variance $= 52,000 - 55,000 = -\$3,000$. Since this is a **cost** line and actual spending was *lower* than budgeted, the $3,000 difference is **favourable**. **(A)**.

Bài tập luyện tập

A delivery van costs $28,000, has an estimated residual value of $4,000, and a useful life of 4 years. Using the straight-line method, calculate the annual depreciation charge and the net book value at the end of each of the first three years.

Lời giải chi tiết

$$\text{Annual depreciation} = \frac{28,000 - 4,000}{4} = \frac{24,000}{4} = \boxed{\$6,000 \text{ per year}}$$

NBV: Year 1 $= 28,000 - 6,000 = \boxed{\$22,000}$; Year 2 $= 22,000 - 6,000 = \boxed{\$16,000}$; Year 3 $= 16,000 - 6,000 = \boxed{\$10,000}$ (and Year 4 would reach exactly the $4,000 residual value).

Bài tập luyện tập

A machine costs $40,000. The business depreciates it at 25% per annum using the reducing-balance method. Calculate the depreciation charge and the net book value for each of the first three years.

Lời giải chi tiết

Year 1: $40,000 \times 0.25 = \boxed{\$10,000}$; NBV $= 40,000 - 10,000 = \$30,000$.
Year 2: $30,000 \times 0.25 = \boxed{\$7,500}$; NBV $= 30,000 - 7,500 = \$22,500$.
Year 3: $22,500 \times 0.25 = \boxed{\$5,625}$; NBV $= 22,500 - 5,625 = \$16,875$.

Bài tập luyện tập

Explain **one** reason a delivery/logistics company might prefer the reducing-balance method over the straight-line method for depreciating its fleet of vans.

Lời giải chi tiết

Vehicles typically lose a large proportion of their market value in the first year or two of use (heavy early wear, rapid obsolescence as newer models are released) and then depreciate more slowly in later years. The reducing-balance method's larger early charges and progressively smaller later charges **better match this real pattern of value loss**, giving a net book value on the statement of financial position that more realistically tracks the van's true resale value, compared with the straight-line method's artificially equal charge every year.

Bài tập luyện tập

A bookkeeper accidentally overstates a firm's closing inventory by $8,000. Explain the effect of this single error on (a) cost of goods sold, (b) gross profit, and (c) current assets on the statement of financial position.

Lời giải chi tiết

Since COGS $=$ Opening inventory $+$ Purchases $-$ Closing inventory, overstating closing inventory by $8,000 (a) **understates COGS by $8,000**; (b) this directly **overstates gross profit (and operating profit) by $8,000**, since a lower COGS is subtracted from the same sales figure; (c) it also **overstates current assets (the Inventory line, and hence working capital) by $8,000** on the statement of financial position, since the same incorrect closing inventory figure is carried onto both statements.

Bài tập luyện tập

From the following figures, construct the income statement and calculate the working capital: Sales $420,000; COGS $260,000; Expenses $95,000; Non-current assets $280,000; Inventory $45,000; Receivables $35,000; Cash $25,000; Trade payables $38,000; Bank overdraft $12,000; Non-current liabilities $90,000; Equity $245,000.

Lời giải chi tiết

Gross profit $= 420,000 - 260,000 = \boxed{\$160,000}$. Operating profit $= 160,000 - 95,000 = \boxed{\$65,000}$.

Current assets $= 45,000+35,000+25,000 = \$105,000$. Current liabilities $= 38,000+12,000 = \$50,000$.

$$\text{Working capital} = 105,000 - 50,000 = \boxed{\$55,000}$$

Balance check: Total assets $= 280,000+105,000 = 385,000$; Total claims $= 50,000+90,000+245,000 = 385,000$. ✓

Bài tập luyện tập

[HL] A firm reports COGS $= \$450,000$, average inventory $= \$50,000$, trade receivables $= \$60,000$, sales revenue $= \$900,000$, trade payables $= \$54,000$, non-current liabilities $= \$300,000$, and equity $= \$500,000$. Calculate the inventory turnover (in times/year and approximate days), debtor days, creditor days, and the gearing ratio, and comment briefly on the gearing level.

Lời giải chi tiết

$$\text{Inventory turnover} = \frac{450,000}{50,000} = \boxed{9\text{ times/year}} \quad \left(\approx \frac{365}{9} \approx 40.6\text{ days}\right)$$

$$\text{Debtor days} = \frac{60,000}{900,000} \times 365 \approx \boxed{24.3\text{ days}} \qquad \text{Creditor days} = \frac{54,000}{450,000} \times 365 = \boxed{43.8\text{ days}}$$

Capital employed $= 300,000 + 500,000 = 800,000$.

$$\text{Gearing} = \frac{300,000}{800,000} \times 100 = \boxed{37.5\%}$$

At 37.5%, the firm is **comfortably below** the 50% threshold generally considered "highly geared," suggesting a moderate, sustainable reliance on long-term debt rather than excessive financial risk.

Bài tập luyện tập

A company's gearing ratio rises from 30% to 65% after it takes out a large long-term loan to fund rapid expansion. This increase means the company:

(A) Has become more reliant on internally generated funds

(B) Has become more dependent on debt finance and faces higher financial risk from fixed interest obligations

(C) Has necessarily become more profitable as a result

(D) Has reduced its shareholders' equity to zero

Lời giải chi tiết

A rising gearing ratio means a growing proportion of capital employed is financed by **long-term debt** rather than equity, increasing the firm's fixed interest obligations and its financial risk if profit or cash flow falls — it says nothing directly about whether the expansion itself will be profitable. **(B)**.

Bài tập luyện tập

State **two** limitations of ratio analysis for judging the overall financial health of a business.

Lời giải chi tiết

(1) Ratios are calculated from **historic** accounting data and provide **no context** on their own — a ratio only becomes meaningful when compared against the firm's own past performance, a direct competitor, or an industry average. (2) Ratios ignore important **qualitative factors** (management quality, staff morale, brand reputation, innovation, the competitive/economic environment) and can be distorted by **different accounting policies** (e.g. different depreciation or inventory valuation methods) used by different firms, making direct comparisons potentially misleading.

Bài tập luyện tập

Complete the missing figures in the following cash flow forecast: April — Opening $10,000, Inflows $18,000, Outflows $15,000, Net cash flow = ?, Closing balance = ?. May — Opening balance = ? (equal to April's closing balance), Inflows $20,000, Outflows $23,000, Net cash flow = ?, Closing balance = ?.

Lời giải chi tiết

April: Net cash flow $= 18,000 - 15,000 = \boxed{\$3,000}$; Closing balance $= 10,000 + 3,000 = \boxed{\$13,000}$.

May: Opening balance $= \boxed{\$13,000}$ (April's closing balance); Net cash flow $= 20,000 - 23,000 = \boxed{-\$3,000}$; Closing balance $= 13,000 - 3,000 = \boxed{\$10,000}$.

Bài tập luyện tập

Using the working capital cycle, explain how a rapidly growing business that is genuinely profitable "on paper" could still run out of cash.

Lời giải chi tiết

As sales grow quickly, the business needs to hold more **inventory** to meet rising demand and typically extends more **trade credit** to win new customers, so a growing amount of cash becomes tied up simultaneously in stock sitting on shelves and in unpaid invoices from customers (trade receivables). Because cash is trapped further along the working capital cycle rather than flowing back in quickly, the business may not have enough actual cash on hand to pay its own suppliers, wages and other short-term bills — a situation known as **overtrading** — even though its income statement shows a healthy operating profit.

Bài tập luyện tập

A business is short of cash despite healthy sales, because its customers take a long time to pay their invoices. Which action would most directly improve its cash flow position?

(A) Extending its own trade credit terms with suppliers even further

(B) Offering customers an early-payment discount to encourage them to pay their invoices faster

(C) Increasing closing inventory levels

(D) Delaying supplier payments indefinitely to preserve goodwill

Lời giải chi tiết

The stated problem is slow-paying customers (trade receivables), so the most **direct** fix is to speed up cash collection from those same customers — an early-payment discount gives customers a financial incentive to pay sooner, directly shortening the working capital cycle. **(B)**.

Bài tập luyện tập

A project requires an initial investment of $120,000, with projected net cash flows of Y1 $40,000, Y2 $45,000, Y3 $50,000, Y4 $30,000. Calculate the payback period and the ARR.

Lời giải chi tiết

Cumulative: Y1 $40,000$ → Y2 $85,000$ → Y3 $135,000$ — payback occurs during Year 3. Remaining at the start of Y3 $= 120,000 - 85,000 = 35,000$.

$$\text{Extra time} = \frac{35,000}{50,000} \times 12 = 8.4 \text{ months} \Rightarrow \boxed{\text{Payback} \approx 2 \text{ years } 8.4 \text{ months}}$$

Total cash inflow $= 40,000 + 45,000 + 50,000 + 30,000 = 165,000$. Total profit $= 165,000 - 120,000 = 45,000$. Average annual profit $= 45,000/4 = 11,250$.

$$ARR = \frac{11,250}{120,000} \times 100 = \boxed{9.375\%}$$

Bài tập luyện tập

[HL] Using the same project as above (initial investment $120,000; cash flows Y1 $40,000, Y2 $45,000, Y3 $50,000, Y4 $30,000) and discount factors at 9% (Y1 0.917, Y2 0.842, Y3 0.772, Y4 0.708), calculate the NPV and state whether the project should be accepted.

Lời giải chi tiết

	Y1	**Y2**	**Y3**	**Y4**
Cash flow ($)	40,000	45,000	50,000	30,000
Discount factor	0.917	0.842	0.772	0.708
Present value ($)	36,680	37,890	38,600	21,240

Sum of PVs $= 36,680 + 37,890 + 38,600 + 21,240 = 134,410$. $NPV = 134,410 - 120,000 = \boxed{\$14,410}$. Since NPV is positive, the project **should be accepted** — its discounted returns exceed the $120,000 initial investment even after accounting for the time value of money at a 9% required rate of return.

Bài tập luyện tập

A manager rejects a proposed project purely because its payback period (3 years) is longer than a rival project's (1.5 years), without looking at either project's ARR or NPV. Explain **one** risk of making an investment decision this way.

Lời giải chi tiết

Payback measures only how quickly the initial investment is recovered and completely **ignores any profit earned after the payback point**, as well as the time value of money. The rejected project might generate substantially higher total profit (a higher ARR) or a larger positive NPV over its full life than the rival project, simply because it continues generating strong cash flows for several more years after payback — by focusing on payback alone, the manager risks choosing the less profitable project and rejecting the more valuable long-term investment.

Bài tập luyện tập

A high-growth but currently unprofitable technology start-up needs $1 million and is willing to give up 20% of its equity in exchange for cash *and* strategic mentorship from an experienced investor. This is best described as:

(A) A debenture

(B) A business angel/venture capital investment

(C) A bank overdraft

(D) Trade credit

Lời giải chi tiết

Exchanging equity for cash *plus* hands-on expertise/mentorship, typically for a high-risk, high-growth start-up, is the defining feature of **business angel/venture capital** investment. **(B)**.

Bài tập luyện tập

State **one** advantage and **one** disadvantage of a rights issue compared with selling new shares to entirely new outside investors.

Lời giải chi tiết

Advantage: existing shareholders are given the first opportunity to buy the new shares in proportion to their current holding, so a shareholder who takes up their full allocation avoids having their percentage ownership and voting power diluted — and the process is typically faster/cheaper than a full public share offering to unknown new investors.

Disadvantage: existing shareholders may not have enough spare cash to take up their full rights allocation, meaning the company risks not raising the full amount it needs, or those shareholders who cannot participate still end up with their ownership percentage diluted.

Bài tập luyện tập

A firm produces 4,000 units at a total cost of $132,000 and sells all of them at $28 each. Calculate the average cost, average revenue, and profit or loss per unit, and state whether the firm is profitable.

Lời giải chi tiết

$$AC = \frac{132,000}{4,000} = \boxed{\$33} \qquad AR = \frac{28 \times 4,000}{4,000} = \boxed{\$28}$$

Profit/loss per unit $= 28 - 33 = -\$5$, i.e. a **loss** of \$5 per unit. Total loss $= 5 \times 4,000 = \boxed{\$20,000}$ — the firm is **not** currently profitable at this output and price.

Bài tập luyện tập

[HL] Referring to the limiting-factor worked example above (Product X: \$5 contribution/machine hour; Product Y: \$3 contribution/machine hour), explain **one** realistic reason a firm might still choose to produce some of Product Y despite the analysis favouring Product X.

Lời giải chi tiết

Limiting-factor analysis maximises contribution assuming machine hours are the *only* constraint, but in reality **market demand** for Product X alone may be capped (customers may simply not want to buy an unlimited quantity of X), so producing some Product Y may be necessary to use remaining capacity profitably or to maintain a diversified product range and existing customer relationships/contracts that depend on Product Y remaining available.

Bài tập luyện tập

A firm has fixed costs of \$24,000/month, sells at \$40/unit, with a variable cost of \$28/unit. Calculate (a) the break-even output, and (b) the output required for a target monthly profit of \$9,000.

Lời giải chi tiết

Contribution $= 40 - 28 = \$12$.

(a) $Q_{BE} = \dfrac{24,000}{12} = \boxed{2,000 \text{ units}}$ (b) Target output $= \dfrac{24,000 + 9,000}{12} = \boxed{2,750 \text{ units}}$

Bài tập luyện tập

Using the same firm as above ($FC = \$24,000$, $SP = \$40$, $VC = \$28$, $Q_{BE} = 2,000$), a new supplier deal cuts variable cost to \$16/unit (FC and SP unchanged). Calculate the new break-even output and the change from the original.

Lời giải chi tiết

New contribution $= 40 - 16 = \$24$.

$$Q_{BE}^{\text{new}} = \frac{24,000}{24} = \boxed{1,000 \text{ units}}$$

The break-even output **falls** by $2,000 - 1,000 = \boxed{1,000 \text{ units}}$ — the firm now needs to sell half as many units to cover its fixed costs.

Bài tập luyện tập

A manager sets next year's departmental budget by requiring every single line of spending to be justified from a base of zero, rather than simply adjusting last year's figures upward. This approach is known as:

(A) Historical (incremental) budgeting

(B) Zero-based budgeting

(C) Top-down budgeting

(D) A cash budget

Lời giải chi tiết

Starting every budget from zero and requiring full justification of every cost, rather than adjusting the prior period's figure, is the definition of **zero-based budgeting**. **(B)**.

Bài tập luyện tập

A project budgets $95,000 for overhead costs and $310,000 for sales revenue. Actual results are an overhead cost of $88,000 and sales revenue of $325,000. Calculate each variance, classify it as favourable or adverse, and state the net effect on profit.

Lời giải chi tiết

Overhead variance $= 88,000 - 95,000 = -\$7,000 \Rightarrow \boxed{\$7,000 \text{ Favourable}}$ (cost underspent).
Sales variance $= 325,000 - 310,000 = +\$15,000 \Rightarrow \boxed{\$15,000 \text{ Favourable}}$ (extra revenue).

Net effect on profit $= 7,000 + 15,000 = \boxed{+\$22,000 \text{ Favourable overall}}$.

Bài tập luyện tập

Equipment costs $36,000, has an estimated residual value of $6,000, and a useful life of 5 years. Using the straight-line method, calculate the annual depreciation charge and the net book value after 2 years.

Lời giải chi tiết

$$\text{Annual depreciation} = \frac{36,000 - 6,000}{5} = \frac{30,000}{5} = \boxed{\$6,000 \text{ per year}}$$

NBV after 2 years $= 36,000 - (2 \times 6,000) = 36,000 - 12,000 = \boxed{\$24,000}$.

Bài tập luyện tập

A $25,000 asset is depreciated at 20% per annum using the reducing-balance method. Calculate the net book value after 2 years.

Lời giải chi tiết

Year 1: $25,000 \times 0.20 = \$5,000$; NBV $= 25,000 - 5,000 = \$20,000$.
Year 2: $20,000 \times 0.20 = \$4,000$; NBV $= 20,000 - 4,000 = \boxed{\$16,000}$.

Bài tập luyện tập

A machine with a net book value of $18,000 is sold for $15,000. Calculate the profit or loss on disposal.

Lời giải chi tiết

Since sale proceeds ($15,000) are **lower** than net book value ($18,000): Loss on disposal $= 18,000 - 15,000 = \boxed{\$3,000 \text{ loss}}$.

Bài tập luyện tập

A restaurant repaints its dining room walls as routine maintenance, at a cost of $3,000. This spending is best classified as:

(A) Capital expenditure
(B) Revenue expenditure
(C) A new non-current asset
(D) A rights issue

Lời giải chi tiết

Routine repainting/maintenance does not create a lasting new non-current asset or significantly extend the building's useful life — it is a day-to-day running cost, i.e. **revenue expenditure**, charged in full to this period's income statement. **(B)**.

Bài tập luyện tập

A firm's opening inventory is $28,000, purchases during the year are $216,000, and closing inventory is $34,000. Calculate the cost of goods sold.

Lời giải chi tiết

$$\text{COGS} = \text{Opening inventory} + \text{Purchases} - \text{Closing inventory} = 28,000 + 216,000 - 34,000 = \boxed{\$210,000}$$

Bài tập luyện tập

A firm has an operating profit of $54,000 and capital employed of $360,000. Calculate its ROCE.

Lời giải chi tiết

$$ROCE = \frac{54,000}{360,000} \times 100 = \boxed{15\%}$$

Bài tập luyện tập

[HL] A firm has COGS of $540,000 and average inventory of $45,000. Calculate its inventory turnover in times per year and in approximate days.

Lời giải chi tiết

$$\text{Inventory turnover} = \frac{540,000}{45,000} = \boxed{12 \text{ times/year}} \qquad \left(\approx \frac{365}{12} \approx \boxed{30.4 \text{ days}}\right)$$

Bài tập luyện tập

[HL] A firm's non-current liabilities are $80,000 and its equity is $320,000. Calculate the gearing ratio and state whether the firm is highly geared.

Lời giải chi tiết

Capital employed $= 80,000 + 320,000 = 400,000.$

$$\text{Gearing} = \frac{80,000}{400,000} \times 100 = \boxed{20\%}$$

At 20%, the firm is **not** highly geared — it is well below the 50% threshold and relies mainly on equity rather than debt.

Bài tập luyện tập

A firm's cash flow forecast for the month shows an opening balance of $12,000, total inflows of $45,000, and total outflows of $52,000. Calculate the net cash flow and closing balance, and briefly comment on the result.

Lời giải chi tiết

Net cash flow $= 45,000 - 52,000 = \boxed{-\$7,000}$. Closing balance $= 12,000 - 7,000 = \boxed{\$5,000}$. The closing balance is still positive, but it has fallen sharply — if outflows continue to exceed inflows at a similar rate next month, the firm risks a negative cash balance and should investigate the cause (e.g. slow-paying customers or rising costs) and arrange a contingency (such as an overdraft facility) in advance.

Bài tập luyện tập

A firm has inventory days of 60, debtor days of 45, and creditor days of 40. Calculate its cash operating cycle in days.

Lời giải chi tiết

Cash operating cycle $=$ Inventory days$+$Debtor days$-$Creditor days $= 60+45-40 = \boxed{65 \text{ days}}$

Bài tập luyện tập

A project requires an initial investment of $150,000, with projected net cash flows of Y1 $50,000, Y2 $60,000, Y3 $50,000, Y4 $40,000. Calculate the payback period and the ARR.

Lời giải chi tiết

Cumulative: Y1 $50,000$ → Y2 $110,000$ → Y3 $160,000$ — payback occurs during Year 3. Remaining at the start of Y3 $= 150,000 - 110,000 = 40,000$.

$$\text{Extra time} = \frac{40,000}{50,000} \times 12 = 9.6 \text{ months} \Rightarrow \boxed{\text{Payback} \approx 2 \text{ years } 9.6 \text{ months}}$$

Total cash inflow $= 50,000 + 60,000 + 50,000 + 40,000 = 200,000$. Total profit $= 200,000 - 150,000 = 50,000$. Average annual profit $= 50,000/4 = 12,500$.

$$ARR = \frac{12,500}{150,000} \times 100 \approx \boxed{8.3\%}$$

Bài tập luyện tập

[HL] Using the same project as above (initial investment $150,000; cash flows Y1 $50,000, Y2 $60,000, Y3 $50,000, Y4 $40,000) and discount factors at 11% (Y1 0.901, Y2 0.812, Y3 0.731, Y4 0.659), calculate the NPV and state whether the project should be accepted.

Lời giải chi tiết

	Y1	Y2	Y3	Y4
Cash flow ($)	50,000	60,000	50,000	40,000
Discount factor	0.901	0.812	0.731	0.659
Present value ($)	45,050	48,720	36,550	26,360

Sum of PVs $= 45,050 + 48,720 + 36,550 + 26,360 = 156,680$. $NPV = 156,680 - 150,000 = \boxed{\$6,680}$. Since NPV is positive, the project **should be accepted**.

Bài tập luyện tập

[HL] Which of the following is a key limitation of the ARR method of investment appraisal?

(A) It cannot be expressed as a percentage

(B) It ignores the timing of cash flows within the project's life

(C) It always requires published discount factors

(D) It cannot be used to compare two different projects

Lời giải chi tiết

ARR is expressed as a percentage and can be used to compare projects, and it does not require discount factors (that is NPV) — but it treats all years' profit identically regardless of *when* the cash is received, meaning it **ignores the timing of cash flows**. **(B)**.

Bài tập luyện tập

A firm is deciding whether to invest $70,000 of surplus cash in a new delivery van (to be depreciated over 5 years) or simply hold it as a cash reserve. State **one** factor, beyond the numerical investment appraisal result, that the firm should also consider.

Lời giải chi tiết

The firm should consider the **reliability of the demand forecast** justifying the extra delivery capacity (an optimistic sales forecast that does not materialise would leave the firm with an underused asset and lower-than-expected cash flows), and/or the **opportunity cost and liquidity risk** of committing $70,000 to a long-term, illiquid asset — if held as cash instead, that money would remain available to cover an unexpected emergency or short-term cash-flow gap.

Bài tập luyện tập

A company funds a major expansion entirely through a new long-term bank loan rather than a new issue of shares. Compared with using equity, this choice will:

(A) Dilute existing shareholders' control

(B) Leave ownership unchanged, but raise the company's gearing and fixed interest obligations

(C) Automatically increase the company's profit margin

(D) Eliminate the need to ever repay any finance

Lời giải chi tiết

A bank loan leaves existing shareholders' ownership and voting control fully intact (unlike issuing new shares), but it creates a new fixed interest obligation and raises the gearing ratio, increasing financial risk. **(B)**.

Bài tập luyện tập

Explain **one** action a rapidly growing firm could take to reduce its risk of overtrading.

Lời giải chi tiết

The firm could **tighten credit control**, for example by chasing trade receivables more actively or offering customers an early-payment discount, which speeds up cash collection and shortens the working capital cycle; alternatively, it could arrange additional short-term finance (such as an overdraft facility) *in advance* of expected growth, ensuring a cash buffer is already in place before rising inventory and receivables tie up more working capital than the business can currently fund.

Bài tập luyện tập

[HL] A firm's normal selling price is $30/unit (variable cost $= \$18$/unit). It has spare capacity and receives a one-off order for 200 units at $22/unit that will not affect any existing sales. Calculate the contribution per unit on this order and the total extra profit, and state whether the order should be accepted.

Lời giải chi tiết

$$\text{Contribution per unit} = 22 - 18 = \boxed{\$4} \qquad \text{Extra profit} = 4 \times 200 = \boxed{\$800}$$

Since the order price ($22) exceeds variable cost ($18) and spare capacity exists, the order should be **accepted** — fixed costs are already covered by normal production, so the extra $800 is pure additional profit.

Bài tập luyện tập

Which of the following businesses could legally raise finance by selling new shares to members of the general public via a stock exchange?

(A) A sole trader
(B) A partnership
(C) A private limited company (Ltd)
(D) A public limited company (PLC)

Lời giải chi tiết

Only a business that has "gone public" through a stock market listing — a **public limited company (PLC)** — can sell shares to the general public on a stock exchange. **(D)**.

Bài tập luyện tập

State **one** reason a company might prefer equity finance over debt finance when funding a very high-risk new venture.

Lời giải chi tiết

Equity carries **no fixed legal obligation** to pay interest or repay the capital on a set schedule, unlike debt — if the high-risk venture is slow to generate cash or fails outright, the company is not burdened with fixed repayments it cannot afford, whereas taking on debt for the same venture would risk default and insolvency if things go wrong.

Bài tập luyện tập

A hotel's laundry cost rises directly with the number of rooms occupied each night and cannot be traced to any one specific guest. Classify this cost (a) by behaviour, and (b) by traceability.

Lời giải chi tiết

(a) **Variable** — it changes directly with the level of occupancy (output). (b) **Indirect (overhead)** — it is shared across all guests on a given night and cannot be attributed to one specific guest.

Bài tập luyện tập

[HL] A firm has 500 labour hours available this month. Product M has a contribution of \$8/unit and requires 1 labour hour/unit; Product N has a contribution of \$18/unit and requires 3 labour hours/unit. Which product should be prioritised, and what is the maximum contribution achievable if the firm devotes all 500 hours to that product?

Lời giải chi tiết

$$\text{Product M: } \frac{8}{1} = \boxed{\$8 \text{ per hour}} \qquad \text{Product N: } \frac{18}{3} = \boxed{\$6 \text{ per hour}}$$

Product M should be prioritised (higher contribution per hour of the scarce resource). Maximum contribution $= 500 \times 8 = \boxed{\$4,000}$.

Bài tập luyện tập

A firm has fixed costs of $15,000/month, sells at $18/unit, with a variable cost of $11/unit. Calculate the break-even output (rounding up to a whole unit if necessary) and the margin of safety if actual sales are 2,300 units.

Lời giải chi tiết

Contribution $= 18 - 11 = \$7$.

$$Q_{BE} = \frac{15,000}{7} = 2,142.86\ldots \Rightarrow \boxed{2,143 \text{ units (rounded up)}}$$

Margin of safety $= 2,300 - 2,143 = \boxed{157 \text{ units}}$.

Bài tập luyện tập

A department manager is fully involved, alongside senior management, in setting her own department's budget target for next year. This approach is best described as:

(A) Historical (incremental) budgeting
(B) Zero-based budgeting
(C) Participative (bottom-up) budgeting
(D) Top-down (imposed) budgeting

Lời giải chi tiết

Involving the manager who must deliver the budget in actually *setting* it, rather than having it imposed from above, is the definition of **participative (bottom-up) budgeting**. **(C)**.

Bài tập luyện tập

A firm's actual sales revenue variance for the month is $18,000 Adverse. Explain what this means and suggest **one** possible cause.

Lời giải chi tiết

It means actual sales revenue was $18,000 **lower** than the budgeted figure for the month. A possible cause: increased competition or a rival's price cut drawing customers away, a wider economic downturn reducing customer spending, or a failed/delayed marketing campaign that did not generate the expected sales.

Bài tập luyện tập

A computer costs $2,400, has no residual value, and a useful life of 4 years. Calculate the annual straight-line depreciation charge.

Lời giải chi tiết

$$\text{Annual depreciation} = \frac{2,400 - 0}{4} = \boxed{\$600 \text{ per year}}$$

Bài tập luyện tập

A \$60,000 asset is depreciated at 35% per annum using the reducing-balance method. Calculate the depreciation charge and net book value for Year 1 and Year 2.

Lời giải chi tiết

Year 1: $60,000 \times 0.35 = \boxed{\$21,000}$; NBV $= 60,000 - 21,000 = \$39,000$.

Year 2: $39,000 \times 0.35 = \boxed{\$13,650}$; NBV $= 39,000 - 13,650 = \boxed{\$25,350}$.

Bài tập luyện tập

Which of the following is capital expenditure?

(A) The monthly electricity bill

(B) Purchase of a new company delivery vehicle

(C) Wages paid to staff this month

(D) Cost of raw materials used this month

Lời giải chi tiết

A new vehicle is a non-current asset providing benefit over several years — the defining feature of **capital expenditure**. The other three are all routine running costs used up within the current period (revenue expenditure). **(B)**.

Bài tập luyện tập

A firm reports sales revenue of \$180,000, COGS of \$110,000, and expenses of \$40,000. Calculate the gross profit and the operating profit.

Lời giải chi tiết

Gross profit $= 180,000 - 110,000 = \boxed{\$70,000}$. Operating profit $= 70,000 - 40,000 = \boxed{\$30,000}$.

Bài tập luyện tập

A firm has current assets of \$95,000 (including inventory of \$40,000) and current liabilities of \$50,000. Calculate the acid test ratio.

Lời giải chi tiết

$$\text{Acid test} = \frac{95,000 - 40,000}{50,000} = \frac{55,000}{50,000} = \boxed{1.1}$$

Bài tập luyện tập

[HL] Explain **one** risk faced by a highly geared company (gearing above 50%) during a period of rising interest rates.

Lời giải chi tiết

Rising interest rates increase the cost of servicing the company's (often variable-rate) debt, squeezing operating profit and cash flow available for other uses; in a severe case, a highly geared firm already close to its limits could struggle to meet its interest payments at all, risking default and, ultimately, insolvency.

Bài tập luyện tập

A firm's cash flow forecast shows an opening balance of $8,000, total inflows of $30,000, and total outflows of $27,000 for the month. Calculate the net cash flow and the closing balance.

Lời giải chi tiết

Net cash flow $= 30,000 - 27,000 = \boxed{\$3,000}$. Closing balance $= 8,000 + 3,000 = \boxed{\$11,000}$.

Bài tập luyện tập

Explain **one** way a firm could shorten its working capital cycle without harming its relationship with its own customers.

Lời giải chi tiết

The firm could negotiate **longer credit terms from its own suppliers** (increasing its creditor days), which shortens the net working capital cycle without placing any additional pressure on customers at all; alternatively, it could improve inventory management (e.g. ordering more frequently in smaller batches, or adopting just-in-time techniques) to reduce inventory days without changing customer-facing credit terms.

Bài tập luyện tập

A project requires an initial investment of $45,000, with projected net cash flows of Y1 $15,000, Y2 $20,000, Y3 $15,000, Y4 $10,000. Calculate the payback period and the ARR.

Lời giải chi tiết

Cumulative: Y1 $15,000 \to$ Y2 $35,000 \to$ Y3 $50,000$ — payback occurs during Year 3. Remaining at the start of Y3 $= 45,000 - 35,000 = 10,000$.

$$\text{Extra time} = \frac{10,000}{15,000} \times 12 = 8 \text{ months} \Rightarrow \boxed{\text{Payback} = 2 \text{ years } 8 \text{ months}}$$

Total cash inflow $= 15,000 + 20,000 + 15,000 + 10,000 = 60,000$. Total profit $= 60,000 - 45,000 = 15,000$. Average annual profit $= 15,000/4 = 3,750$.

$$ARR = \frac{3,750}{45,000} \times 100 \approx \boxed{8.3\%}$$

Bài tập luyện tập

[HL] Using the same project as above (initial investment $45,000; cash flows Y1 $15,000, Y2 $20,000, Y3 $15,000, Y4 $10,000) and discount factors at 7% (Y1 0.935, Y2 0.873, Y3 0.816, Y4 0.763), calculate the NPV and state whether the project should be accepted.

Lời giải chi tiết

	Y1	Y2	Y3	Y4
Cash flow ($)	15,000	20,000	15,000	10,000
Discount factor	0.935	0.873	0.816	0.763
Present value ($)	14,025	17,460	12,240	7,630

Sum of PVs $= 14,025+17,460+12,240+7,630 = 51,355$. $NPV = 51,355-45,000 = \boxed{\$6,355}$. Since NPV is positive, the project **should be accepted**.

Bài tập luyện tập

Which of the following is a purely qualitative (non-financial) factor relevant to an investment decision?

(A) The project's NPV at a 10% discount rate

(B) The project's payback period

(C) The impact of the project on staff morale and workload

(D) The project's ARR

Lời giải chi tiết

NPV, payback and ARR are all **quantitative** outputs of investment appraisal calculations; the effect on staff morale and workload is a **qualitative**, non-financial consideration that no appraisal formula captures. **(C)**.

Bài tập luyện tập

A firm's ROCE has fallen from 22% to 14% over three years, while its gearing has risen from 20% to 55% over the same period. Suggest a plausible link between these two trends.

Lời giải chi tiết

The firm has taken on considerably more debt (gearing rising from 20% to 55%), which increases fixed interest costs that reduce the profit remaining after interest, and/or the capital raised through this new debt may not yet be generating profit proportionate to the much larger capital employed — for example, if the funds were used for a new factory or product line that is still ramping up, capital employed would have risen immediately while operating profit takes longer to catch up, temporarily dragging ROCE down even though the investment may prove profitable in the long run.

Bài tập luyện tập

A company has 100,000 shares already in issue and offers existing shareholders a 1-for-4 rights issue at $2.50 per new share. Calculate the number of new shares issued and the total new capital raised.

Lời giải chi tiết

New shares issued $= \dfrac{100,000}{4} = \boxed{25,000 \text{ shares}}$. Total capital raised $= 25,000 \times 2.50 =$

$\boxed{\$62,500}$.

Bài tập luyện tập

A business receives a one-time government payment to help cover the cost of installing solar panels, which does not need to be repaid. This is an example of:

(A) A rights issue
(B) A government grant
(C) Trade credit
(D) Debt factoring

Lời giải chi tiết

Non-repayable financial support from government for a specific purpose is the definition of a **government grant**. **(B)**.

Bài tập luyện tập

A retail chain allocates \$80,000 of shared head-office overhead costs across its 4 stores based on floor space. Store A occupies 25% of the chain's total floor space. Calculate the overhead allocated to Store A.

Lời giải chi tiết

Overhead allocated to Store A $= 80,000 \times 0.25 = \boxed{\$20,000}$.

Bài tập luyện tập

A firm has fixed costs of \$30,000/month, sells at \$50/unit, with a variable cost of \$35/unit. Calculate (a) the break-even output, and (b) the output required for a target monthly profit of \$12,000.

Lời giải chi tiết

Contribution $= 50 - 35 = \$15$.

(a) $Q_{BE} = \dfrac{30,000}{15} = \boxed{2,000 \text{ units}}$ (b) Target output $= \dfrac{30,000 + 12,000}{15} = \boxed{2,800 \text{ units}}$

Bài tập luyện tập

A firm switches its depreciation policy for a new machine from straight-line to reducing-balance. Explain **one** effect this will have on reported profit in the machine's first year of use, compared with continuing to use straight-line.

Lời giải chi tiết

The reducing-balance method typically charges a **larger** depreciation amount in the asset's earliest years than straight-line does, so switching to reducing-balance would **reduce** reported operating profit in Year 1 relative to what straight-line would have shown; correspondingly, reducing-balance would show **higher** reported profit than straight-line in the machine's later years, once its annual charge falls below the constant straight-line amount.

Bài tập luyện tập

A firm reports sales revenue of $310,000, COGS of $190,000, and expenses of $75,000. Calculate the gross profit and the operating profit.

Lời giải chi tiết

Gross profit $= 310,000 - 190,000 = \boxed{\$120,000}$. Operating profit $= 120,000 - 75,000 = \boxed{\$45,000}$.

Bài tập luyện tập

A firm has current assets of $120,000 and current liabilities of $60,000. Calculate the current ratio and briefly comment on the result.

Lời giải chi tiết

$$\text{Current ratio} = \frac{120,000}{60,000} = \boxed{2.0}$$

This sits comfortably within the typical 1.5–2:1 benchmark range, suggesting the firm should be able to meet its short-term liabilities without difficulty (though the acid test should also be checked before concluding this firm is definitely safe).

Bài tập luyện tập

A firm's cash flow forecast shows an opening balance of $6,000, total inflows of $28,000, and total outflows of $31,000. Calculate the net cash flow and the closing balance.

Lời giải chi tiết

Net cash flow $= 28,000 - 31,000 = \boxed{-\$3,000}$. Closing balance $= 6,000 - 3,000 = \boxed{\$3,000}$.

Bài tập luyện tập

A firm has inventory days of 50, debtor days of 30, and creditor days of 45. Calculate its cash operating cycle in days.

Lời giải chi tiết

$$\text{Cash operating cycle} = 50 + 30 - 45 = \boxed{35\text{ days}}$$

Bài tập luyện tập

A project requires an initial investment of $36,000, with projected net cash flows of Y1 $12,000, Y2 $15,000, Y3 $10,000, Y4 $8,000. Calculate the payback period and the ARR.

Lời giải chi tiết

Cumulative: Y1 $12,000 \to$ Y2 $27,000 \to$ Y3 $37,000$ — payback occurs during Year 3. Remaining at the start of Y3 $= 36,000 - 27,000 = 9,000$.

$$\text{Extra time} = \frac{9,000}{10,000} \times 12 = 10.8 \text{ months} \Rightarrow \boxed{\text{Payback} \approx 2 \text{ years } 10.8 \text{ months}}$$

Total cash inflow $= 12,000+15,000+10,000+8,000 = 45,000$. Total profit $= 45,000-36,000 = 9,000$. Average annual profit $= 9,000/4 = 2,250$.

$$ARR = \frac{2,250}{36,000} \times 100 = \boxed{6.25\%}$$

Bài tập luyện tập

[HL] Using the same project as above (initial investment $36,000; cash flows Y1 $12,000, Y2 $15,000, Y3 $10,000, Y4 $8,000) and discount factors at 6% (Y1 0.943, Y2 0.890, Y3 0.840, Y4 0.792), calculate the NPV and state whether the project should be accepted.

Lời giải chi tiết

	Y1	Y2	Y3	Y4
Cash flow ($)	12,000	15,000	10,000	8,000
Discount factor	0.943	0.890	0.840	0.792
Present value ($)	11,316	13,350	8,400	6,336

Sum of PVs $= 11,316+13,350+8,400+6,336 = 39,402$. $NPV = 39,402-36,000 = \boxed{\$3,402}$. Since NPV is positive, the project **should be accepted**.

Bài tập luyện tập

Explain **one** reason a firm might choose to proceed with a project even though it has a calculated negative NPV.

Lời giải chi tiết

The firm may have a **strategic or non-financial reason** for proceeding regardless — for example, a legal/regulatory requirement that leaves no real alternative, blocking a competitor from entering a key location first, or qualitative benefits (brand image, staff morale, environmental commitment, long-term customer loyalty) that management judges to outweigh the calculated financial shortfall, even though these benefits are not captured in the discounted cash flow figures.

Bài tập luyện tập

Explain why depreciation is described as a "non-cash" expense.

Lời giải chi tiết

No cash actually leaves the business in the year a depreciation charge is recorded — the real cash outflow happened earlier, when the asset was originally purchased. Depreciation simply **spreads** that already-spent cost across the income statements of later years, to match the asset's cost against the revenue it helps generate over its useful life, without any further movement of cash.

Bài tập luyện tập

[HL] A firm's creditor days (60) exceed its debtor days (40). Explain what this means for its cash position, all else being equal.

Lời giải chi tiết

This is a **favourable** position for cash flow: on average, the firm collects cash from its own customers in 40 days, faster than the 60 days it takes to pay its own suppliers — meaning the firm effectively uses its suppliers' credit to help fund the gap, reducing the amount of its own working capital tied up in the cash operating cycle at any one time.

Bài tập luyện tập

A sole trader wants to raise $300,000 of new finance to open a second shop. Explain **one** reason she cannot raise this by issuing new shares, and suggest **one** alternative source that would be legally available to her.

Lời giải chi tiết

A **sole trader** is not incorporated as a limited company, so it has no share capital to issue and legally **cannot** raise finance by selling shares — ownership cannot be divided among outside shareholders under this legal structure. A suitable alternative available to her would be a **bank loan** (or retained profit/personal savings, if sufficient), which does not require incorporation or any change to the business's legal structure.

Bài tập luyện tập

A firm's gross profit margin has stayed constant at 40% for three years, but its profit margin has fallen from 18% to 11% over the same period, with sales revenue unchanged. Suggest the most likely explanation.

Lời giải chi tiết

Since GPM (which depends only on sales and COGS) is unchanged, the direct cost of making the goods sold has not become relatively more expensive. The falling profit margin, with sales unchanged, therefore points to **rising overheads/expenses** (below the gross profit line) — for example, higher rent, administrative salaries, marketing spend, or a growing depreciation charge — eating further into operating profit even though the core trading margin on each sale has stayed the same.

Bài tập luyện tập

A firm is comparing leasing a machine versus buying it outright with a bank loan. State **one** advantage of leasing over buying with a loan.

Lời giải chi tiết

Leasing avoids the large upfront capital outlay that buying outright (even with a loan) would eventually require to be repaid, spreading the cost in predictable instalments and often including maintenance/servicing as part of the agreement; this preserves the firm's cash and borrowing capacity for other uses, at the cost of never actually owning the asset outright.

Bài tập luyện tập

A firm's margin of safety is reported as 800 units, and its break-even output is 2,200 units. Calculate the firm's actual (or forecast) sales output.

Lời giải chi tiết

Since Margin of safety $=$ Actual output $- Q_{BE}$: Actual output $= 800 + 2,200 = \boxed{3,000 \text{ units}}$.

Marketing

Mục tiêu Unit: Marketing mix mở rộng (7Ps), nghiên cứu thị trường, phân khúc – nhắm mục tiêu – định vị (STP) và bản đồ định vị, thương hiệu & vòng đời sản phẩm, ma trận Boston (BCG) & ma trận Ansoff, kênh phân phối, marketing số/mạng xã hội, và marketing quốc tế (HL: dự báo doanh số bằng trung bình trượt, 7Ps mở rộng, chiến lược tiêu chuẩn hoá/địa phương hoá quốc tế và phương thức thâm nhập thị trường).

4.1 The role of marketing and market research

Marketing is the management process of identifying, anticipating and profitably satisfying customer requirements. It is far more than advertising: marketing research informs what to produce, at what price, through which channel and with what message – and it links every other functional area (operations, HR, finance) to the actual needs of the market the business ultimately serves. A business that ignores marketing risks producing efficiently made goods that nobody wants to buy.

4.1.1 Market orientation and product orientation

A **market-orientated** business starts with market research to find out what customers want, and only then designs, produces and prices a product to meet that identified need. Its whole culture is organised around continuously listening to customers and adapting the offer as their needs evolve. A **product-orientated (asset-led)** business starts instead from its own existing strengths, expertise, technology, patents or physical assets, and develops products based on what it is good at making, then seeks customers for that product afterwards.

Khái niệm cốt lõi

Market orientation reduces the risk of producing something nobody wants, but can be slower to bring genuinely novel ideas to market and may cause a firm to chase every passing fad rather than build a distinctive identity. Asset-led (product-orientated) marketing exploits a genuine competitive strength – patented technology, brand heritage, unique manufacturing skill – and can drive real breakthrough innovation that customers did not even know to ask for, but risks producing a technically excellent product that the market simply does not want or is not ready for. In practice, most successful firms blend both approaches: they innovate from a position of genuine strength, but continuously validate and refine ideas against real customer research before committing significant resources.

GIẢI THÍCH TIẾNG VIỆT

VN

Doanh nghiệp theo định hướng thị trường (market-orientated) nghiên cứu thị trường trước, rồi mới thiết kế sản phẩm theo đúng nhu cầu đã xác định – toàn bộ văn hoá doanh nghiệp xoay quanh việc liên tục lắng nghe khách hàng. Doanh nghiệp theo định hướng sản phẩm/tài sản (asset-led) xuất phát từ thế mạnh sẵn có (công nghệ, kỹ năng, bằng sáng chế, di sản thương hiệu) rồi mới tìm khách hàng phù hợp. Cách tiếp cận thị trường ít rủi ro hơn nhưng có thể chậm đổi mới; cách tiếp cận tài sản có thể tạo đột phá thực sự nhưng rủi ro làm ra sản phẩm không ai cần. Phần lớn doanh nghiệp thành công kết hợp cả hai.

4.1.2 Marketing planning: objectives, strategy and tactics

Marketing objectives are the specific, quantified marketing targets (e.g. "raise market share from 8% to 12% within two years") that cascade down from the wider corporate objectives covered in Unit 1. A **marketing strategy** is the medium-to-long-term plan for *how* the business will achieve those objectives – which markets/segments to compete in, and the broad position it will pursue relative to rivals. **Marketing tactics** are the specific, short-term, operational decisions across the marketing mix (a particular price cut, a single advertising campaign, a seasonal promotion, a new packaging design) that implement the strategy day to day. This hierarchy matters because a firm can execute excellent individual tactics and still fail if they do not add up to a coherent strategy, and it can have a brilliant strategy that fails through poor tactical execution.

> **Objective** → *what* the business wants to achieve (e.g. "increase brand awareness among 18–25 year-olds to 40% within 12 months").
>
> **Strategy** → the overall *direction* chosen to get there (e.g. "reposition the brand as the youth-focused, socially-conscious market leader").
>
> **Tactics** → the specific mix decisions that *implement* the strategy (e.g. sign a youth-culture influencer, redesign packaging, launch a limited-edition social-cause product line).

> **(!) Lỗi thường gặp:** Students frequently confuse a **strategy** with a **tactic**. A strategy is the overarching, longer-term direction (e.g. "compete on premium quality rather than price"); a tactic is one specific, short-term action that puts that direction into practice (e.g. "run a 20% discount for the first weekend only"). A single strategy is normally implemented through *many* different tactics over time, and a good exam answer should always be able to explain how a proposed tactic actually serves the stated strategy.

> VN **GIẢI THÍCH TIẾNG VIỆT**
>
> Mục tiêu marketing (marketing objectives) là các chỉ tiêu cụ thể, được lượng hoá, xuất phát từ mục tiêu cấp công ty. Chiến lược marketing (strategy) là hướng đi trung–dài hạn để đạt mục tiêu đó (chọn thị trường/phân khúc nào, định vị ra sao so với đối thủ). Chiến thuật marketing (tactics) là các quyết định ngắn hạn, cụ thể trong marketing mix (một đợt giảm giá, một chiến dịch quảng cáo, một mẫu bao bì mới) nhằm hiện thực hoá chiến lược hằng ngày. Lỗi thường gặp: nhầm lẫn chiến lược (định hướng dài hạn) với chiến thuật (hành động cụ thể, ngắn hạn) – một chiến lược thường được thực hiện qua nhiều chiến thuật khác nhau theo thời gian.

4.1.3 The marketing environment: micro and macro factors

Before objectives can be set sensibly, a firm should systematically scan the environment it operates in – often called a **marketing audit**. This environment has two layers.

> **Micro-environment** – factors close to the firm that it can influence to some degree: **customers**, **competitors**, **suppliers**, and **distribution intermediaries** (wholesalers/retailers/agents it depends on to reach the market).
>
> **Macro-environment** – the wider STEEPLE factors (Social, Technological, Economic, Environmental, Political, Legal, Ethical – Unit 1) that the firm cannot control but must monitor and respond to.

A thorough marketing audit reviews both layers *before* objectives are set, so that objectives are grounded in a realistic reading of the current competitive and macro-economic situation rather than being set in isolation from it.

VN GIẢI THÍCH TIẾNG VIỆT

Môi trường marketing gồm hai lớp: vi mô (micro – khách hàng, đối thủ, nhà cung cấp, trung gian phân phối – những yếu tố gần doanh nghiệp và có thể ảnh hưởng phần nào) và vĩ mô (macro – các yếu tố STEEPLE mà doanh nghiệp không kiểm soát được nhưng phải theo dõi). Kiểm toán marketing (marketing audit) rà soát cả hai lớp trước khi đặt mục tiêu, đảm bảo mục tiêu marketing dựa trên bối cảnh thực tế.

4.1.4 Setting a marketing budget

A **marketing budget** is the total sum of money allocated to marketing activity over a period, and the method used to set it strongly shapes what a firm can realistically achieve and how closely spending is actually linked to its stated objectives.

Percentage of sales – set the budget as a fixed % of last year's (or forecast) sales revenue; simple, easy to justify to shareholders, and automatically scales with the size of the business, but can dangerously *cut* marketing spend just when falling sales most need a stronger marketing response.

Objective-and-task method – start from the marketing objectives, identify every task needed to achieve them, and cost those tasks to build the budget from the ground up; the most logical, objective-driven approach, but considerably harder and more time-consuming to build accurately, and it can produce a budget the firm genuinely cannot afford.

Competitor parity – match or benchmark spend against what rivals are believed to be spending; keeps the firm competitively visible in a crowded market, but simply copies rivals' priorities rather than reflecting the firm's own specific objectives and strengths.

Affordable method – spend whatever is left over once other costs are covered; keeps spending safely within the firm's means and avoids overstretching cash flow, but is entirely reactive and is rarely linked to any marketing objective at all.

VN GIẢI THÍCH TIẾNG VIỆT

Ngân sách marketing có thể xác định theo bốn cách: % doanh thu (đơn giản nhưng có thể cắt giảm đúng lúc doanh nghiệp cần chi nhiều nhất), phương pháp mục tiêu–nhiệm vụ (objective-and-task – logic nhất vì xuất phát từ mục tiêu cụ thể, nhưng khó xây dựng chính xác), theo đối thủ cạnh tranh (competitor parity – giữ vị thế cạnh tranh nhưng không phản ánh mục tiêu riêng của doanh nghiệp), hoặc theo khả năng chi trả còn lại (affordable method – an toàn về dòng tiền nhưng ít liên kết với mục tiêu marketing nhất).

4.1.5 Business-to-business (B2B) and business-to-consumer (B2C) marketing

B2C marketing sells directly to individual final consumers: it usually involves a large number of relatively low-value transactions, and relies heavily on emotional appeal, brand image and mass-media/digital promotion to reach a broad, often impulsive audience. **B2B** marketing sells to other organisations – as a raw material, component, or business service – and typically involves a much smaller number of far higher-value transactions, a longer and more rational/technical decision-making process (often via a formal buying committee weighing price, reliability and specification), and relies far more heavily on personal selling, trade exhibitions, direct long-term relationships and detailed contract negotiation than on mass-market advertising.

VN GIẢI THÍCH TIẾNG VIỆT

Marketing B2C (doanh nghiệp–người tiêu dùng) bán trực tiếp cho cá nhân: số lượng giao dịch lớn, giá trị mỗi giao dịch nhỏ, dựa nhiều vào cảm xúc và hình ảnh thương hiệu. Marketing B2B (doanh nghiệp–doanh nghiệp) bán cho tổ chức khác: số giao dịch ít hơn nhiều nhưng giá trị mỗi giao dịch lớn hơn nhiều, quá trình ra quyết định phức tạp/lý tính hơn (thường qua hội đồng mua hàng), và dựa nhiều vào bán hàng cá nhân, hội chợ thương mại và đàm phán trực tiếp hơn là quảng cáo đại chúng.

4.1.6 Ethical, legal and sustainability considerations in marketing

Marketing decisions are constrained not only by what is commercially effective, but by what is legal and ethical. Most countries regulate advertising to prohibit **false or misleading claims**, protect vulnerable groups such as children from manipulative advertising, and require clear disclosure of material terms (e.g. the true cost of credit, or paid-for social media endorsements). Beyond the legal minimum, firms increasingly face consumer and investor pressure to market **ethically** and **sustainably**, since a single well-publicised scandal can undo years of expensive brand-building almost overnight.

Truthful advertising – claims about a product's performance, ingredients or origin must be accurate and substantiated; regulators can fine firms and order corrective advertising for breaches, and repeat offenders risk losing consumer trust permanently.

Marketing to vulnerable groups – many jurisdictions restrict how products (especially unhealthy food, gambling, alcohol or tobacco) may be advertised to children, who are less able to critically evaluate persuasive messages.

Green marketing – genuinely promoting a product's real environmental or social benefits (recycled materials, fair-trade sourcing, lower emissions) can build brand loyalty among increasingly values-driven consumers.

Greenwashing – making vague, exaggerated or unsubstantiated environmental claims purely for marketing advantage; if exposed, this causes serious reputational damage that can be worse than making no environmental claim at all.

(!) Lỗi thường gặp: Ethical marketing is not simply "good PR" – regulators increasingly investigate and penalise **greenwashing** specifically, and a firm caught exaggerating its environmental credentials often suffers greater reputational damage than a firm that made no such claim at all, because it is perceived to have deliberately misled genuinely concerned customers.

VN **GIẢI THÍCH TIẾNG VIỆT**

Marketing bị ràng buộc bởi pháp luật (quảng cáo phải trung thực, hạn chế quảng cáo nhắm vào trẻ em) và đạo đức kinh doanh. Green marketing (marketing xanh) quảng bá lợi ích môi trường/xã hội thực sự của sản phẩm, xây dựng lòng trung thành với nhóm khách hàng quan tâm giá trị bền vững. Greenwashing (tẩy xanh) là phóng đại/bịa đặt lợi ích môi trường chỉ nhằm mục đích marketing – nếu bị phát hiện, thiệt hại về uy tín thường nghiêm trọng hơn cả việc không hề đưa ra tuyên bố môi trường nào.

4.1.7 Evaluating the effectiveness of marketing spending

Setting a budget (Section 4.1.4) is only half the task – firms also need to judge whether that spending actually worked, rather than simply repeating the same budget or method year after year out of habit.

Khái niệm cốt lõi

Return on marketing investment (ROMI) compares the extra profit/revenue a campaign generates against what it cost:

$$ROMI = \frac{\text{Incremental revenue (or profit) attributable to the campaign} - \text{Marketing cost}}{\text{Marketing cost}} \times 100$$

Firms also track **customer acquisition cost (CAC)** (marketing/sales spend divided by the number of new customers gained) against **customer lifetime value (CLV)** (the total profit expected from an average customer over their full relationship with the firm) – a campaign is generally sound only if CLV comfortably exceeds CAC, since a customer who costs more to acquire than they will ever generate in profit is a losing proposition no matter how many of them are acquired.

VN GIẢI THÍCH TIẾNG VIỆT

Lợi tức đầu tư marketing (ROMI) so sánh doanh thu/lợi nhuận tăng thêm nhờ chiến dịch với chi phí bỏ ra. Chi phí thu hút khách hàng (CAC) so với giá trị vòng đời khách hàng (CLV) giúp đánh giá xem một chiến dịch có thực sự hiệu quả về lâu dài hay không – nếu CAC lớn hơn CLV, doanh nghiệp đang lỗ trên mỗi khách hàng mới bất kể thu hút được bao nhiêu người.

Net Promoter Score (NPS) asks customers how likely they are (0–10) to recommend the brand to others, then classifies scores of 9–10 as **Promoters**, 7–8 as **Passives**, and 0–6 as **Detractors**:

$$NPS = \%\ \text{Promoters} - \%\ \text{Detractors}$$

NPS gives a single, simple, comparable number that many firms track over time as an early proxy for future customer retention and word-of-mouth growth, though (like any single metric) it should be interpreted alongside other evidence rather than in isolation.

VN GIẢI THÍCH TIẾNG VIỆT

Chỉ số đo lường khả năng giới thiệu thương hiệu (Net Promoter Score – NPS) hỏi khách hàng khả năng giới thiệu thương hiệu (thang 0–10), phân loại thành Người ủng hộ (Promoters, 9–10), Người trung lập (Passives, 7–8), và Người phản đối (Detractors, 0–6): NPS $=$ %Promoters $-$ %Detractors – một con số đơn giản, dễ theo dõi theo thời gian như chỉ báo sớm cho khả năng giữ chân khách hàng.

4.1.8 Market research: primary and secondary data

Market research is the systematic gathering, recording and analysis of data about customers, competitors and the wider market, used to reduce the risk of a costly product or marketing failure by informing decisions with real evidence rather than management guesswork.

Primary (field) research collects new, first-hand data specifically for the current purpose: **surveys/questionnaires** (structured, easy to quantify and compare across a large sample, but respondents may answer inaccurately or untruthfully), **interviews** (one-to-one, in-depth, allows follow-up questions but time-consuming, expensive and hard to generalise from a small sample), **focus groups** (a small, guided group discussion revealing attitudes and the reasoning behind opinions, though group dynamics can bias individual answers), **observation** (recording actual customer behaviour directly, avoiding the bias of what people merely *say* they do), and **test marketing** (launching a product in a small, representative geographic area before a full roll-out, to gauge real purchasing response at comparatively low risk and cost).

Secondary (desk) research uses data that already exists, collected originally for another purpose: government statistics/census data, industry and trade-association reports, competitor accounts/annual reports and websites, and commercially published market-research reports.

	Primary research	Secondary research
Relevance	Directly answers the firm's exact question	May be outdated or not specific to the firm's exact market/question
Cost & time	Usually expensive and slow to collect	Usually cheap and fast to access
Uniqueness	Gives the firm data rivals do not have (a competitive edge)	Freely/cheaply available to competitors too
Reliability risk	Depends on sample size/method chosen by the firm	Depends on the credibility of the original source/compiler

Table 4.1 – Evaluating the trade-off between primary and secondary market research.

In practice, most firms use **both** in sequence: secondary research is usually gathered first, since it is cheap and quick, to build a general understanding of the market and identify the specific gaps in knowledge; primary research is then commissioned only to answer the narrower, more specific questions secondary sources cannot resolve, making the most efficient use of a limited research budget.

GIẢI THÍCH TIẾNG VIỆT

VN

Nghiên cứu sơ cấp (primary research) thu thập dữ liệu mới, trực tiếp cho câu hỏi hiện tại (khảo sát, phỏng vấn, nhóm tập trung, quan sát, thử nghiệm thị trường) – tốn kém, chậm nhưng độc quyền và sát đúng nhu cầu. Nghiên cứu thứ cấp (secondary research) dùng dữ liệu có sẵn (thống kê chính phủ, báo cáo ngành, đối thủ) – rẻ, nhanh nhưng có thể lỗi thời và đối thủ cũng tiếp cận được. Đa số doanh nghiệp làm nghiên cứu thứ cấp trước để hiểu tổng quan thị trường, sau đó mới đầu tư vào nghiên cứu sơ cấp cho những câu hỏi cụ thể còn thiếu.

4.1.9 Marketing information systems

Rather than commissioning research only as an occasional one-off project, larger firms often build a **marketing information system (MIS)** – an ongoing, systematic process for collecting, storing, analysing and distributing marketing data (sales trends, customer feedback, competitor moves) continuously to the managers who need it. A well-run MIS allows a firm to spot an emerging problem or opportunity from routine, continuously-updated data, rather than discovering it only when the next scheduled research project happens to ask the right question.

GIẢI THÍCH TIẾNG VIỆT

VN

Hệ thống thông tin marketing (marketing information system – MIS) thu thập, lưu trữ, phân tích và phân phối dữ liệu marketing một cách liên tục (không chỉ qua các dự án nghiên cứu đơn lẻ), giúp doanh nghiệp phát hiện sớm vấn đề hoặc cơ hội mới từ dữ liệu thường xuyên cập nhật.

4.1.10 Quantitative and qualitative data; sampling methods

Quantitative data is numerical (sales figures, survey scores, % market share) – it can be statistically analysed and compared across a large sample with a defined margin of error, but reveals comparatively little about *why* customers feel or behave a certain way. **Qualitative data** captures opinions, attitudes and motivations (interview transcripts, focus-group discussion, open-ended survey answers) – it gives rich insight into underlying reasons and emotional drivers, but is more time-consuming and subjective to analyse, harder to generalise reliably to the whole market, and more open to researcher interpretation/bias. Because each has opposite strengths, many research programmes deliberately combine both – a large quantitative survey to measure *what* is happening, followed by qualitative focus groups to explain *why*.

Random sampling – every member of the population has an equal chance of selection (e.g. drawing names from a hat); minimises selection bias but requires a complete list of the population and can still under-represent small groups purely by chance.

Quota sampling – interviewers are given fixed quotas of respondents with certain characteristics (e.g. 50 men, 50 women) to interview, chosen using their own judgement; quick and cheap to run, but not truly random, so some interviewer bias remains.

Stratified sampling – the population is divided into meaningful strata/subgroups (e.g. by age band), then a random sample is drawn from each stratum *in proportion* to its size in the overall population; more representative than simple random sampling, but requires good prior data on the population's structure.

Convenience sampling – selecting whoever is easiest/cheapest to reach (e.g. shoppers passing a particular street corner); fast and low-cost, but carries the highest risk of an unrepresentative, biased sample.

Mystery shopping – hiring an anonymous researcher to experience and evaluate the customer journey firsthand (in-store service, checkout speed, staff friendliness) – combines primary market research with a genuine quality-control check on Process and People (Section 4.9), revealing gaps between a firm's intended standards and what customers actually experience day to day.

VN **GIẢI THÍCH TIẾNG VIỆT**

Mua sắm ẩn danh (mystery shopping) – thuê người nghiên cứu ẩn danh trải nghiệm và đánh giá hành trình khách hàng thực tế (dịch vụ tại cửa hàng, tốc độ thanh toán, thái độ nhân viên) – kết hợp nghiên cứu sơ cấp với kiểm tra chất lượng thực tế đối với Quy trình và Con người, phát hiện khoảng cách giữa tiêu chuẩn dự kiến và trải nghiệm thực tế của khách hàng.

Modern **observational research** increasingly uses technology to record actual behaviour without relying on what customers say they do: **website heatmaps and click-tracking** reveal exactly where online visitors look and click; **in-store people-counters and camera analytics** reveal real footfall and browsing patterns; and **eye-tracking** studies reveal precisely which part of a shelf, advert or webpage actually attracts visual attention first. These methods are especially valuable because customers often cannot accurately describe their own unconscious browsing/attention behaviour even when asked directly.

VN **GIẢI THÍCH TIẾNG VIỆT**

Nghiên cứu quan sát hiện đại ngày càng dùng công nghệ để ghi lại hành vi thực tế thay vì dựa vào lời khách hàng tự thuật: bản đồ nhiệt và theo dõi lượt nhấp trên website, camera đếm lượt khách và phân tích hành vi di chuyển trong cửa hàng, và theo dõi chuyển động mắt (eye-tracking) để biết chính xác phần nào của kệ hàng/quảng cáo/trang web thu hút sự chú ý đầu tiên – hữu ích vì khách hàng thường không thể mô tả chính xác hành vi chú ý vô thức của chính mình.

Good research design also requires **validity** (the research actually measures what it claims to measure – a leading or biased question undermines validity even with a large sample) and **reliability** (repeating the same research would produce broadly consistent results). A larger **sample size** generally increases confidence that results reflect the true wider population, reducing the risk that findings are a one-off statistical fluke – but a larger sample also costs more time and money, so firms must balance statistical confidence against a realistic research budget.

VN GIẢI THÍCH TIẾNG VIỆT

Thiết kế nghiên cứu tốt cần có độ giá trị (validity – nghiên cứu thực sự đo đúng điều cần đo, câu hỏi dẫn dắt sẽ làm giảm độ giá trị dù mẫu lớn) và độ tin cậy (reliability – lặp lại nghiên cứu cho kết quả tương tự). Cỡ mẫu (sample size) lớn hơn thường tăng độ tin cậy nhưng cũng tốn kém hơn, cần cân bằng giữa độ tin cậy thống kê và ngân sách nghiên cứu thực tế.

Common survey-design pitfalls that undermine validity include: **leading questions** (wording that nudges the respondent toward a particular answer, e.g. "Don't you agree that...?"), **double-barrelled questions** (asking about two different things in a single question, making the answer impossible to interpret cleanly), and **order bias** (earlier questions or answer options unconsciously influencing responses to later ones). Careful, independently piloted question wording is essential before a survey is run at full scale.

VN GIẢI THÍCH TIẾNG VIỆT

Các lỗi thiết kế khảo sát thường gặp: câu hỏi dẫn dắt (leading questions – từ ngữ hướng người trả lời theo một hướng), câu hỏi hai ý (double-barrelled – hỏi hai điều khác nhau trong một câu), và thiên lệch thứ tự (order bias – câu hỏi/lựa chọn trước ảnh hưởng đến câu trả lời sau). Cần thử nghiệm (pilot) câu hỏi cẩn thận trước khi khảo sát quy mô lớn.

VN GIẢI THÍCH TIẾNG VIỆT

Dữ liệu định lượng (quantitative) là số liệu, dễ so sánh/thống kê trên mẫu lớn nhưng không giải thích được "vì sao"; dữ liệu định tính (qualitative) là ý kiến/thái độ, cho hiểu biết sâu nhưng khó khái quát hoá và tốn thời gian phân tích – nhiều chương trình nghiên cứu kết hợp cả hai. Bốn phương pháp chọn mẫu: ngẫu nhiên (random – mọi người cơ hội bằng nhau), định ngạch (quota – theo chỉ tiêu đặc điểm), phân tầng (stratified – chia nhóm rồi lấy mẫu ngẫu nhiên theo tỷ lệ), và thuận tiện (convenience – chọn người dễ tiếp cận nhất, sai lệch cao nhất).

4.1.11 Marketing in not-for-profit and public-sector contexts

Marketing principles apply well beyond profit-seeking firms. **Social marketing** uses marketing techniques (segmentation, persuasive promotion, accessible "distribution" of a service or message) to encourage a socially beneficial behaviour change – for example, a public-health campaign segmenting its audience and using targeted messaging to increase vaccination uptake or reduce smoking. Charities and NGOs use the same STP and marketing-mix tools as commercial firms, but their core objective is maximising social impact and donations rather than shareholder profit.

Social marketing – promotes a behaviour change (health, safety, environmental) for public benefit rather than a commercial product.

De-marketing – deliberately reduces demand for a product or activity, either because supply is scarce and needs rationing (e.g. discouraging peak-time electricity use) or because the activity is harmful (e.g. public-health campaigns designed to reduce cigarette consumption) – the opposite goal to conventional marketing's usual aim of *increasing* demand.

Charity/NGO marketing – applies STP and the marketing mix to maximise donations, volunteer engagement and social impact rather than shareholder profit, though it must still build a trusted, differentiated "brand" to compete for a donor's limited attention and generosity against other worthy causes.

VN **GIẢI THÍCH TIẾNG VIỆT**

Marketing xã hội (social marketing) dùng kỹ thuật marketing để khuyến khích thay đổi hành vi có lợi cho cộng đồng (tiêm chủng, an toàn giao thông) thay vì bán sản phẩm thương mại. De-marketing chủ động làm giảm nhu cầu (khi nguồn cung khan hiếm cần phân bổ hợp lý, hoặc khi hành vi đó có hại cho sức khoẻ/xã hội) – ngược với mục tiêu thông thường của marketing là tăng nhu cầu. Tổ chức từ thiện/phi lợi nhuận cũng áp dụng STP và marketing mix, nhưng mục tiêu là tối đa hoá quyên góp và tác động xã hội thay vì lợi nhuận cổ đông.

4.1.12 How marketing-mix decisions affect stakeholders

Marketing decisions ripple beyond the marketing department itself (Unit 1's stakeholder concept). A price increase may please **shareholders** (higher margin) while alienating price-sensitive **customers**; an aggressive new advertising campaign creates additional workload for **employees** in customer service and operations who must handle the resulting surge in demand; and a decision to switch to a new distribution channel can seriously harm existing **channel partners** (a wholesaler or retailer who loses the business) even as it benefits the firm and end consumers through lower prices or faster delivery. Good marketing planning considers these wider stakeholder effects, not just the immediate customer response.

VN **GIẢI THÍCH TIẾNG VIỆT**

Quyết định marketing ảnh hưởng đến nhiều bên liên quan (stakeholders) ngoài phòng marketing: tăng giá có thể làm cổ đông hài lòng nhưng khách hàng nhạy cảm về giá không hài lòng; chiến dịch quảng cáo mạnh tạo thêm khối lượng công việc cho nhân viên; thay đổi kênh phân phối có thể gây thiệt hại cho đối tác phân phối cũ dù mang lại lợi ích cho doanh nghiệp và người tiêu dùng cuối. Hoạch định marketing tốt cần cân nhắc các tác động này, không chỉ phản ứng của khách hàng.

4.2 Sales forecasting with moving averages [HL only]

[HL] Historical sales data can be decomposed into a long-run **trend** (the underlying direction once fluctuations are removed), a **seasonal variation** (a regular fluctuation linked to the time of year/quarter), a **cyclical** component (linked to the wider economic/business cycle over several years), and **random/erratic variation** (unpredictable one-off shocks, e.g. a factory fire or a sudden change in law). A **moving average** smooths out the shorter-term seasonal fluctuation to reveal the underlying trend, which can then be combined with the typical seasonal variation for that specific period to forecast future sales – a much more disciplined method than simply extending last year's growth rate.

Khái niệm cốt lõi

For quarterly data, a **4-point moving average** is used because there are 4 quarters in a year (for monthly data, a 12-point moving average would be used instead). Each 4-quarter total is divided by 4 to give a moving average, but because 4 is an *even* number, each moving average value sits at the mid-point *between* two quarters, not on a single quarter. Two consecutive 4-quarter moving averages are therefore averaged again – **centring** the trend back onto one specific quarter.

Seasonal variation = Actual value−Centred trend value Forecast = Trend+Average seasonal variation

The average seasonal variation for a given quarter is usually calculated by averaging that quarter's seasonal variation across several different years, smoothing out any single year's random/erratic shock before it is used to forecast the future.

GIẢI THÍCH TIẾNG VIỆT

VN [HL] Với dữ liệu theo quý, dùng trung bình trượt 4 điểm (4-point moving average) vì có 4 quý/năm (dữ liệu theo tháng dùng trung bình trượt 12 điểm). Vì 4 là số chẵn, mỗi giá trị trung bình trượt nằm giữa hai quý – cần lấy trung bình của hai giá trị trung bình trượt liên tiếp để "căn giữa" (centre) về đúng một quý cụ thể. Biến động thời vụ (seasonal variation) = giá trị thực tế − giá trị xu hướng đã căn giữa. Dự báo = xu hướng + biến động thời vụ trung bình của quý đó (thường lấy trung bình biến động thời vụ của quý đó qua nhiều năm để giảm nhiễu).

Worked example: [HL] Centred moving average and seasonal variation

Quarterly sales ($'000) of a beachwear retailer: Y1 Q1 $= 45$, Q2 $= 65$, Q3 $= 85$, Q4 $= 35$; Y2 Q1 $= 55$.

Step 1 – first 4-quarter moving total (Y1 Q1–Q4): $45 + 65 + 85 + 35 = 230$; moving average $= 230/4 = 57.5$.
Step 2 – second 4-quarter moving total (Y1 Q2 – Y2 Q1): $65 + 85 + 35 + 55 = 240$; moving average $= 240/4 = 60$.
Step 3 – centre the trend on Y1 Q3 (mid-point of the two moving averages above):

$$\text{Trend}_{\text{Y1 Q3}} = \frac{57.5 + 60}{2} = \boxed{58.75}$$

Step 4 – seasonal variation for Y1 Q3:

$$\text{Seasonal variation} = 85 - 58.75 = \boxed{+26.25}$$

Quarter 3 (peak summer) therefore runs $26,250 *above* the underlying trend, consistent with a seasonal beachwear retailer whose sales spike in the summer months.

Worked example: [HL] A second moving-average forecast

Quarterly sales ($'000) of an ice-cream parlour: Y1 Q1 $= 20$, Q2 $= 50$, Q3 $= 90$, Q4 $= 40$; Y2 Q1 $= 30$, Q2 $= 60$.

Moving totals/averages:

$$MT_1(\text{Y1 Q1–Q4}) = 20 + 50 + 90 + 40 = 200 \Rightarrow MA_1 = 50$$

$$MT_2(\text{Y1 Q2–Y2 Q1}) = 50 + 90 + 40 + 30 = 210 \Rightarrow MA_2 = 52.5$$

$$MT_3(\text{Y1 Q3–Y2 Q2}) = 90 + 40 + 30 + 60 = 220 \Rightarrow MA_3 = 55$$

Centred trend and seasonal variation, Y1 Q3:

$$\text{Trend}_{\text{Y1 Q3}} = \frac{50 + 52.5}{2} = \boxed{51.25} \qquad \text{Seasonal variation} = 90 - 51.25 = \boxed{+38.75}$$

Centred trend and seasonal variation, Y1 Q4:

$$\text{Trend}_{\text{Y1 Q4}} = \frac{52.5 + 55}{2} = \boxed{53.75} \qquad \text{Seasonal variation} = 40 - 53.75 = \boxed{-13.75}$$

The underlying trend is rising steadily (\$50,000 → \$51,250 → \$53,750), while Q3 (summer) sits far *above* trend and Q4 sits *below* trend – if this pattern is stable across future years, next year's Q3 sales could be forecast as (next year's Q3 trend value) + $\$38{,}750$.

(!) Lỗi thường gặp: A moving-average forecast is only as reliable as the assumption that **past seasonal patterns and the trend direction will continue unchanged**. A sudden shock – a new competitor, a change in fashion, an economic downturn – can invalidate the forecast overnight; moving averages describe the past cleanly, but management must still apply judgement to any forward projection.

4.2.1 Qualitative and supplementary forecasting methods [HL only]

[HL] Moving averages are a **quantitative, time-series** technique – they extrapolate purely from a firm's own historical numbers. Several **qualitative** methods are used alongside (or instead of) them, especially for genuinely new products with no sales history to extrapolate from.

Jury of executive opinion – senior managers pool their collective judgement and experience into a single forecast; quick and draws on deep expertise, but can simply reflect the most senior or persuasive voice in the room rather than genuine consensus.

Sales-force composite – individual sales representatives, who deal directly with customers, each estimate demand in their own territory, and these are aggregated; grounded in real customer contact, but reps may deliberately understate forecasts if their own future targets/bonuses are based on them.

Delphi method – a panel of experts gives forecasts anonymously and independently over several rounds, seeing an anonymised summary of the group's views between rounds, gradually converging toward a consensus without any one expert dominating the discussion.

(!) Lỗi thường gặp: Forecasters sometimes assume that because two variables move together historically (e.g. new-housing completions and furniture sales), one must be causing the other – **correlation is not causation**. A third, unseen factor (e.g. general economic confidence) may be driving both, and relying on a correlated variable that stops moving together with sales in future will produce a badly wrong forecast.

VN **GIẢI THÍCH TIẾNG VIỆT**

[HL] Ngoài trung bình trượt (một phương pháp định lượng dựa trên dữ liệu lịch sử), dự báo còn dùng các phương pháp định tính: ý kiến hội đồng điều hành (jury of executive opinion), tổng hợp ước tính từ lực lượng bán hàng (sales-force composite – sát thực tế khách hàng nhưng có thể bị estimate thấp vì liên quan chỉ tiêu thưởng), và phương pháp Delphi (chuyên gia dự báo độc lập, ẩn danh qua nhiều vòng để đạt đồng thuận mà không ai áp đảo). Lưu ý: tương quan (correlation) giữa hai biến số không có nghĩa là quan hệ nhân quả (causation).

4.2.2 Forecasting errors and the bullwhip effect [HL only]

[HL] Forecasting errors do not stay contained within the marketing department – they distort decisions throughout the whole supply chain. The **bullwhip effect** describes how a small, ordinary fluctuation in real end-consumer demand can become progressively **amplified** at each stage further back in the supply chain (retailer → wholesaler → manufacturer → raw-material supplier), as each stage over-reacts and adds its own safety margin to the order it places with the stage before it. An overly optimistic sales forecast at the marketing/retail end can therefore cascade into a manufacturer building far more excess inventory than the real underlying demand ever justified.

GIẢI THÍCH TIẾNG VIỆT

VN

[HL] Hiệu ứng roi da (bullwhip effect) mô tả cách một biến động nhỏ trong nhu cầu thực tế của người tiêu dùng cuối bị khuếch đại dần qua từng khâu của chuỗi cung ứng (bán lẻ → bán buôn → sản xuất → nhà cung cấp nguyên liệu), do mỗi khâu phản ứng thái quá và cộng thêm biên độ an toàn riêng. Một dự báo doanh số quá lạc quan ở khâu marketing/bán lẻ có thể khiến nhà sản xuất tồn kho dư thừa vượt xa nhu cầu thực tế.

4.3 Segmentation, targeting and positioning (STP)

Rather than treat the whole market as one uniform group, most firms use **STP**: dividing the market into distinct groups (**segmentation**), choosing which group(s) to serve (**targeting**), and deciding how the product should be perceived relative to rivals within that group (**positioning**). STP turns a vague, undifferentiated market into a specific, addressable customer group with a clear competitive identity, and every subsequent marketing-mix decision should flow logically from it.

4.3.1 The consumer buying decision process

Before designing STP and the marketing mix in detail, it helps to understand how a typical customer actually decides to buy.

Need recognition – the customer becomes aware of a problem or unmet want (triggered internally, e.g. hunger, or externally, e.g. an advertisement).

Information search – the customer gathers information from memory, friends/family, online reviews, or direct research.

Evaluation of alternatives – the customer compares the realistic options against criteria that matter to them (price, quality, brand, convenience).

Purchase decision – the customer selects and buys a specific product, though the decision can still be disrupted at this final stage (e.g. an item is out of stock, or a friend gives negative last-minute feedback).

Post-purchase evaluation – the customer judges whether the product met their expectations, which shapes repeat purchase and word-of-mouth; **cognitive dissonance** (post-purchase doubt about whether the right choice was made) is common for expensive or high-involvement purchases, and firms often address it directly through reassuring follow-up communication, warranties, or easy return policies.

Effective promotion targets each stage differently: broad advertising and SEO build **need recognition** and support the **information search** stage (Figure 4.6's Awareness/Interest stages), reviews and comparison content support **evaluation of alternatives** (Desire), and a smooth checkout process removes final friction at the **purchase decision** stage (Action) – while post-purchase emails and loyalty schemes (CRM, Section 4.8) address **post-purchase evaluation** and encourage repeat business.

> GIẢI THÍCH TIẾNG VIỆT
> VN
> Quy trình ra quyết định mua hàng của người tiêu dùng gồm 5 bước: nhận biết nhu cầu (need recognition), tìm kiếm thông tin (information search), đánh giá các lựa chọn (evaluation of alternatives), quyết định mua (purchase decision), và đánh giá sau khi mua (post-purchase evaluation). Sự hoài nghi sau mua hàng (cognitive dissonance) thường gặp ở các sản phẩm đắt tiền/quan trọng – doanh nghiệp thường xử lý bằng bảo hành, chính sách đổi trả dễ dàng, hoặc email chăm sóc sau bán hàng.

4.3.2 Segmentation variables

Demographic – age, gender, income, family size/life-cycle stage, occupation, education, ethnicity.

Geographic – country, region, climate, urban vs rural, population density.

Psychographic – lifestyle, personality, values, social class, attitudes and interests.

Behavioural – usage rate (light/heavy user), brand loyalty, purchase occasion, benefits sought from the product.

A single firm rarely relies on just one variable: a car manufacturer might combine *demographic* data (income, family size) with *psychographic* data (environmental values, status-consciousness) to define a segment precisely enough to design a genuinely targeted product and message, rather than a vague ”young professionals” label that could describe millions of very different people.

> GIẢI THÍCH TIẾNG VIỆT
> VN
> Bốn biến số phân khúc: nhân khẩu học (demographic – tuổi, giới tính, thu nhập), địa lý (geographic – vùng miền, khí hậu), tâm lý học (psychographic – lối sống, giá trị, tầng lớp xã hội), và hành vi (behavioural – mức độ sử dụng, lòng trung thành, lợi ích tìm kiếm). Một chiến dịch marketing hiệu quả thường kết hợp nhiều biến số cùng lúc để xác định phân khúc chính xác hơn, thay vì chỉ dùng một nhãn mơ hồ.

4.3.3 Reference groups, opinion leaders and word-of-mouth

Purchase decisions, especially for visible or socially significant products, are heavily influenced by **reference groups** – people whose values and choices a customer looks to when forming their own preferences. An **aspirational group** is one the customer wishes to belong to (influencing purchases that signal status or identity); a **membership group** (family, close friends, colleagues) exerts more direct, everyday influence. Within these groups, **opinion leaders** – individuals whose product judgement is particularly trusted and sought out by others – can disproportionately shape a whole group's purchasing behaviour, which is precisely why firms court social-media influencers and offer free early access to well-connected early adopters (Section 4.4.7).

> GIẢI THÍCH TIẾNG VIỆT
> VN
> Nhóm tham chiếu (reference group) ảnh hưởng đến quyết định mua hàng: nhóm khát vọng (aspirational group – khách hàng muốn thuộc về) và nhóm thành viên (membership group – gia đình, bạn bè, đồng nghiệp, ảnh hưởng trực tiếp hơn). Người dẫn dắt dư luận (opinion leaders) có ảnh hưởng vượt trội đến quyết định mua của cả nhóm – đây chính là lý do doanh nghiệp hợp tác với người có ảnh hưởng trên mạng xã hội và ưu tiên cho người chấp nhận sớm dùng thử sản phẩm.

4.3.4 Targeting: niche and mass marketing

Niche marketing focuses the entire marketing mix on one small, specific, often under-served segment. It faces less direct competition and can command premium prices/build strong loyalty, but has limited growth potential and is vulnerable if that one segment's needs, size or fashion change. **Mass marketing** targets the broad market with a largely standardised offer, allowing economies of scale in production and promotion and very wide reach, but with less differentiation and typically far more intense price-based competition.

GIẢI THÍCH TIẾNG VIỆT

VN Marketing ngách (niche) tập trung vào một phân khúc nhỏ, đặc thù – ít cạnh tranh, giá cao hơn, lòng trung thành tốt hơn nhưng tiềm năng tăng trưởng giới hạn và rủi ro nếu phân khúc đó thay đổi. Marketing đại chúng (mass) nhắm vào thị trường rộng với sản phẩm tiêu chuẩn hoá – tận dụng được lợi thế quy mô nhưng cạnh tranh giá gay gắt hơn và ít khác biệt hoá.

(!) Lỗi thường gặp: Targeting decisions carry ethical weight: deliberately targeting inherently vulnerable segments (e.g. marketing high-sugar snacks specifically at young children, or high-interest credit specifically at financially vulnerable adults) can be commercially effective yet widely regarded as exploitative, and increasingly attracts regulatory restriction (Section 4.1.6) even where a clear commercial segment genuinely exists.

4.3.5 Differentiated, undifferentiated and concentrated targeting

The niche/mass distinction can be refined into three formal targeting strategies that describe *how many* segments a firm chooses to serve and with how many distinct marketing mixes.

Undifferentiated (mass) targeting – one single marketing mix for the entire market, deliberately ignoring segment differences; maximises economies of scale in production and promotion but risks a "one-size-fits-none" outcome as different customer groups' needs diverge over time.

Differentiated (multi-segment) targeting – a distinct marketing mix is designed for each of several chosen segments (e.g. a "budget," "family" and "premium" version of the same core product); this better meets varied customer needs and can capture a much larger total share of the market, but is considerably more expensive to research, produce, price and promote across multiple parallel mixes.

Concentrated (niche) targeting – a single marketing mix focused on just one carefully chosen segment; allows deep specialisation, strong expertise and clear positioning within that segment, but leaves the firm highly exposed if that one segment declines, changes, or attracts a strong new rival.

GIẢI THÍCH TIẾNG VIỆT

VN Ba chiến lược nhắm mục tiêu chi tiết hơn: không phân biệt (undifferentiated – một marketing mix cho toàn thị trường, tiết kiệm chi phí nhưng khó đáp ứng nhu cầu đa dạng), phân biệt (differentiated – nhiều marketing mix khác nhau cho nhiều phân khúc, đáp ứng tốt hơn nhưng tốn kém hơn nhiều), và tập trung (concentrated/niche – một marketing mix cho một phân khúc duy nhất, chuyên sâu nhưng rủi ro cao nếu phân khúc đó suy yếu hoặc bị đối thủ mới xâm nhập).

Worked example: Sizing a market segment

A national bottled-water market is worth $40 million in annual retail sales. Market research estimates that the "eco-conscious young professionals" segment accounts for an estimated

18% of total spending in this category.

$$\text{Segment value} = 40{,}000{,}000 \times 0.18 = \boxed{\$7{,}200{,}000}$$

If the firm believes it can realistically capture 25% of this specific segment in its first year:

$$\text{Year-1 target sales} = 7{,}200{,}000 \times 0.25 = \boxed{\$1{,}800{,}000}$$

This calculation converts a vague "eco-conscious professionals" description into a concrete, quantified sales target that can feed directly into a SMART marketing objective and a realistic promotional budget.

4.3.6 Positioning and perceptual maps

Positioning is the place a product occupies in consumers' minds *relative to competitors*, usually described along two key variables that matter most to the target segment (e.g. price vs perceived quality, or convenience vs luxury). A **perceptual (positioning) map** plots the firm and its rivals along two such axes, visually revealing clusters of intense head-to-head competition and possible **gaps** – unoccupied positions that could be profitably targeted by a new entrant or a repositioning incumbent. **Repositioning** is a deliberate attempt to move a brand to a new position, usually achieved via changes to the wider marketing mix (a price change, new packaging, a new advertising message, a new distribution channel).

A firm can choose to position itself around several different bases: **attribute-based** (a specific product feature, e.g. "the fastest"), **benefit-based** (the outcome customers gain, e.g. "whiter teeth"), **use/application-based** (a specific occasion, e.g. "the breakfast drink"), **user-based** (a specific type of customer, e.g. "for professional athletes"), **competitor-based** (explicitly positioned relative to a named rival, e.g. a direct price/feature comparison), or **quality/price-based** (positioned along the value spectrum, from budget to premium, as in Figure 4.1 below).

VN GIẢI THÍCH TIẾNG VIỆT

Doanh nghiệp có thể định vị theo nhiều cơ sở khác nhau: theo thuộc tính (attribute – một tính năng cụ thể), theo lợi ích (benefit – kết quả khách hàng nhận được), theo công dụng/dịp sử dụng (use/application), theo đối tượng người dùng (user), theo đối thủ cạnh tranh (competitor – so sánh trực tiếp), hoặc theo chất lượng/giá (quality/price – như bản đồ định vị ở Hình 4.1).

A clear **positioning statement** typically follows a simple template: "For [target segment], [brand] is the [product category] that [key point of difference], because [reason to believe]." Writing positioning down this explicitly forces a firm to be specific about exactly who it is targeting and exactly why that customer should choose it over every alternative, rather than relying on a vague, generic claim that could apply to almost any competitor.

VN GIẢI THÍCH TIẾNG VIỆT

Một phát biểu định vị (positioning statement) rõ ràng thường theo mẫu: "Dành cho [phân khúc mục tiêu], [thương hiệu] là [danh mục sản phẩm] mang lại [điểm khác biệt chính], vì [lý do đáng tin]." Viết ra cụ thể như vậy buộc doanh nghiệp phải xác định rõ đối tượng mục tiêu và lý do khách hàng nên chọn mình.

Khái niệm cốt lõi

A firm's **value proposition** states, in the customer's own terms, the specific combination of benefits a customer receives in exchange for the price paid, relative to the alternatives available to them – effectively summarising the entire STP and marketing-mix strategy into a single, testable promise. A strong value proposition is specific and comparative (why this option, not the alternatives), not just a generic claim that could describe almost any competitor equally well.

VN GIẢI THÍCH TIẾNG VIỆT

Tuyên bố giá trị (value proposition) diễn đạt bằng ngôn ngữ của khách hàng sự kết hợp lợi ích cụ thể mà khách nhận được so với giá phải trả, so với các lựa chọn thay thế – tóm tắt toàn bộ chiến lược STP và marketing mix thành một lời hứa cụ thể, có thể kiểm chứng được, thay vì một tuyên bố chung chung mà đối thủ nào cũng có thể nói.

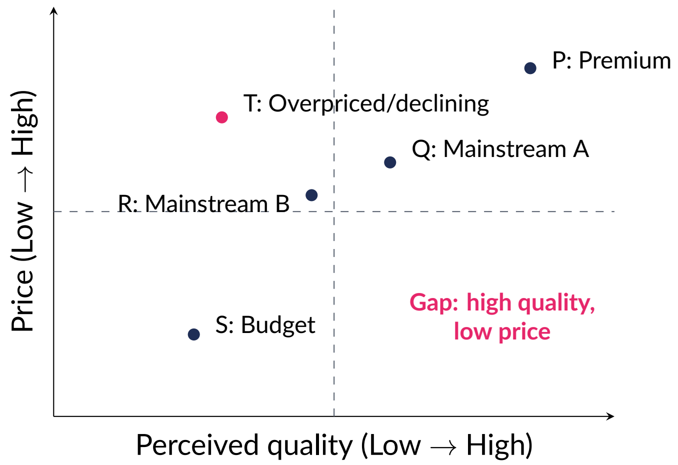

Figure 4.1 – A positioning (perceptual) map for five competing brands. No brand currently occupies the high-quality/low-price quadrant (bottom right) – a potential gap for a new entrant, though sustaining both high quality and a low price simultaneously is operationally challenging.

Worked example: Interpreting a positioning map

Using Figure 4.1: Brand **T** sits in a weak position – low perceived quality but a relatively high price – and is likely losing customers to Brand **S** (similar or better value) and Brand **R** (better quality for only a slightly higher price). Brand T should either **reposition downward** on price to compete with S, or genuinely **improve real and perceived quality** to justify its current price and move toward the R/Q cluster.

The empty bottom-right quadrant (high quality, low price) represents a possible **gap**: a new entrant with a genuine cost advantage (e.g. efficient production, a lean digital-only distribution model) could target this space. The risk is that consumers often *infer* quality from price, so a very low price may undermine the perception of quality unless supported by credible evidence (reviews, certifications, guarantees).

(!) Lỗi thường gặp: Repositioning is rarely free or risk-free: changing price, packaging or advertising message can confuse or alienate *existing* loyal customers who valued the *old* position, even while the firm succeeds in attracting new ones. Any positioning-map recommendation in an exam answer should weigh this transition cost/risk against the expected gain from the new position, rather than treating repositioning as a costless decision.

4.3.7 Competitor analysis and benchmarking

Positioning decisions depend on an accurate picture of the competition. Firms distinguish **direct competitors** (offering a very similar product to the same target segment) from **indirect competitors** (offering a different product that satisfies the same underlying customer need, e.g. a cinema competing with a streaming subscription for a customer's evening leisure spending). **Benchmarking** – systematically comparing a firm's own performance, processes or products against the best-performing rival (or even a completely different industry's best practice) – helps a firm identify specific, measurable gaps to close rather than relying on vague impressions of "falling behind."

VN GIẢI THÍCH TIẾNG VIỆT

Đối thủ trực tiếp (direct competitor) cung cấp sản phẩm tương tự cho cùng phân khúc; đối thủ gián tiếp (indirect competitor) đáp ứng cùng nhu cầu cơ bản của khách hàng bằng sản phẩm khác. So sánh chuẩn (benchmarking) là so sánh có hệ thống hiệu suất/sản phẩm của doanh nghiệp với đối thủ giỏi nhất (hoặc thực tiễn tốt nhất của ngành khác), giúp xác định khoảng cách cụ thể cần thu hẹp thay vì chỉ cảm nhận mơ hồ rằng mình đang tụt hậu.

4.4 Product, branding and the product life cycle

Once a target segment and intended position are chosen, a firm makes detailed decisions across the **marketing mix** – traditionally the **4Ps**: Product, Price, Place and Promotion, a framework popularised by the marketer E. Jerome McCarthy. Every mix decision should reinforce the chosen STP: a premium position, for example, is undermined by a mix that also includes discount pricing or downmarket, mass-discounter distribution.

Khái niệm cốt lõi

The elements of the marketing mix must be **internally consistent**. A firm positioned as an affordable, high-volume mass brand should generally show low-to-moderate pricing, wide/intensive distribution, and broad-reach promotion; a firm positioned as an exclusive premium brand should generally show high pricing, narrow/selective distribution, and image-focused promotion. A mix that mixes signals from both positions (e.g. a premium price combined with mass-market discount-store distribution) confuses customers and weakens the intended position rather than strengthening it.

An alternative lens, the **4Cs**, reframes the 4Ps from the *customer's* perspective rather than the firm's: **Product** → **Customer needs and wants** (what value the offer actually provides); **Price** → **Cost to the customer** (not just the price paid, but time, effort and any switching cost involved); **Place** → **Convenience** (how easily the customer can access the product); **Promotion** → **Communication** (a genuine two-way dialogue with the customer, not just one-way persuasion). The 4Ps and 4Cs describe the same underlying decisions, viewed from the seller's side and the buyer's side respectively.

VN GIẢI THÍCH TIẾNG VIỆT

Khung 4Cs là góc nhìn thay thế cho 4Ps, nhìn từ phía khách hàng: Product → Customer needs (nhu cầu khách hàng), Price → Cost (chi phí khách hàng bỏ ra, không chỉ tiền), Place → Convenience (sự tiện lợi), Promotion → Communication (giao tiếp hai chiều). 4Ps và 4Cs mô tả cùng một quyết định marketing nhưng từ góc nhìn người bán và người mua.

4.4.1 Levels of product

Core product – the fundamental benefit/problem the customer is actually buying (e.g. a drill's core product is "the ability to make a hole," not the drill itself).

Actual product – the tangible item itself: its features, quality level, design, branding and packaging.

Augmented product – the extra, non-tangible value added around the actual product: warranty, after-sales service, delivery, credit terms, installation support.

As core and actual products become easier for rivals to copy (a rival can usually match a specification or a design within a product cycle or two), the **augmented** layer – particularly responsive after-sales customer service, generous warranties and hassle-free technical support – is increasingly where firms build lasting differentiation and justify a premium price, since genuinely excellent service is built on staff, systems and culture that are far harder for a rival to replicate quickly than a physical feature.

GIẢI THÍCH TIẾNG VIỆT

VN

Ba tầng sản phẩm: sản phẩm cốt lõi (core – lợi ích thực sự khách hàng mua), sản phẩm hiện thực (actual – vật phẩm hữu hình, tính năng, thiết kế, thương hiệu), và sản phẩm gia tăng (augmented – giá trị phi vật chất thêm vào như bảo hành, dịch vụ hậu mãi, giao hàng). Cạnh tranh hiện đại thường diễn ra chủ yếu ở tầng gia tăng vì tầng hiện thực dễ bị sao chép.

4.4.2 Packaging as a marketing tool

Packaging performs a functional role – protecting the product and making it convenient to transport, store and use – but is also a powerful marketing tool in its own right. Distinctive packaging design communicates brand identity and quality at the exact moment of purchase (particularly important for impulse purchases on a crowded shelf), and increasingly signals a firm's environmental commitments through reduced or recyclable materials. Because a full product redesign is expensive and risky, a simple packaging refresh is also one of the most common and lowest-risk **extension strategies** (Section 4.4.11) used to make a mature product feel new again.

(!) Lỗi thường gặp: Packaging changes are not risk-free: a redesign that unsettles instantly-recognisable existing packaging can momentarily confuse loyal customers searching a shelf for the familiar look, and excessive or non-recyclable packaging increasingly attracts regulatory restriction and consumer criticism regardless of how attractive the design is.

GIẢI THÍCH TIẾNG VIỆT

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Bao bì (packaging) vừa có chức năng bảo vệ và tiện dụng, vừa là công cụ marketing mạnh mẽ – truyền tải bản sắc thương hiệu và chất lượng ngay tại thời điểm mua hàng (đặc biệt quan trọng với hàng mua ngẫu hứng), đồng thời thể hiện cam kết môi trường qua vật liệu tái chế. Vì thay đổi bao bì ít tốn kém và rủi ro hơn nhiều so với thiết kế lại toàn bộ sản phẩm, đây là một trong những chiến lược kéo dài vòng đời (extension strategy) phổ biến nhất.

4.4.3 Branding

A strong **brand** differentiates a product from close substitutes, supports premium pricing, builds customer loyalty (repeat purchase without re-evaluating every alternative each time), and makes new product launches easier by transferring existing trust onto the new item (**brand extension**). **Brand equity** is the commercial value added purely by the name/reputation itself, independent of the product's physical attributes – it is why two functionally similar products can sell at very different prices, and why a company's brand can appear as a valuable intangible asset on its balance sheet.

(!) Lỗi thường gặp: A brand is not just a logo or a name – it is the *entire bundle of associations, promises and perceived quality* a customer holds in their mind. A company can change its logo without changing its brand, and can damage its brand badly (e.g. a product-safety scandal) without changing its logo at all.

The **brand loyalty ladder** describes how a business tries to move a person progressively from a *suspect* (a possible future customer who fits the target profile), to a *prospect* (has shown some genuine interest), to a first-time *customer*, to a repeat *client* who buys regularly, and ultimately to a loyal *advocate* who actively recommends the brand to others – the most valuable stage of all, since advocates generate free, highly credible word-of-mouth promotion that paid advertising struggles to match.

A **manufacturer (national) brand** is owned and controlled by the producer itself (e.g. a global soft-drink brand sold under the same name everywhere); an **own-label (private-label) brand** is owned by the retailer that sells it, manufactured either in-house or by a contracted third-party producer. Own-label products typically sell at a lower shelf price than manufacturer brands but often earn the retailer a *higher* margin (no manufacturer-brand mark-up is paid to an outside supplier), and give large retailers significant negotiating power over manufacturer-brand suppliers who are competing with the retailer's own products for the same shelf space.

(!) Lỗi thường gặp: **Brand extension** (using an established brand name on a new product) can backfire through **brand dilution**: launching too many products, or products of inconsistent quality, under one name can weaken the very trust and clarity that made the original brand valuable in the first place.

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Thang bậc lòng trung thành thương hiệu (loyalty ladder): từ khách hàng tiềm năng (suspect) → có quan tâm (prospect) → khách hàng lần đầu (customer) → khách hàng thường xuyên (client) → người ủng hộ/giới thiệu thương hiệu (advocate) – giai đoạn giá trị nhất vì tạo truyền miệng miễn phí. Thương hiệu nhà sản xuất (manufacturer brand) do nhà sản xuất sở hữu; thương hiệu riêng của nhà bán lẻ (own-label/private label) do nhà bán lẻ sở hữu, thường giá thấp hơn nhưng margin cho nhà bán lẻ cao hơn. Mở rộng thương hiệu (brand extension) quá mức có thể gây loãng thương hiệu (brand dilution), làm giảm lòng tin vào tên thương hiệu gốc.

A **line extension** adds a new variant (flavour, size, format) within an existing product category under the existing brand name (e.g. a new flavour of an existing snack); it carries low risk since it leverages an already-proven brand and category presence. A **brand extension** uses the established brand name on a genuinely different product category (e.g. an established clothing brand launching perfume); it can succeed spectacularly by transferring brand trust into a new category, but carries a higher risk of brand dilution if the new category is a poor fit with what the brand is known for.

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Mở rộng dòng sản phẩm (line extension) thêm biến thể mới (hương vị, kích cỡ) trong cùng danh mục dưới cùng thương hiệu – rủi ro thấp vì tận dụng thương hiệu đã có sẵn. Mở rộng thương hiệu (brand extension) dùng tên thương hiệu đã có cho một danh mục sản phẩm hoàn toàn khác – có thể thành công vượt trội nhờ chuyển giao lòng tin thương hiệu, nhưng rủi ro loãng thương hiệu cao hơn nếu danh mục mới không phù hợp với hình ảnh thương hiệu.

A firm's **corporate identity** – its logo, typography, colour palette and tagline, applied consistently everywhere the brand appears – gives customers an instant, reliable visual cue to recognise the brand across every touchpoint, reinforcing the integrated marketing communications discussed later (Section 4.6.12). **Co-branding** combines two established, complementary brands on a single product (e.g. a well-known ingredient brand featured on another firm's packaging), so that each brand lends the other its existing credibility and reaches the partner's customer base – though it also risks each brand's reputation becoming entangled with the other's future performance or scandal.

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Bản sắc doanh nghiệp (corporate identity – logo, phông chữ, bảng màu, khẩu hiệu) áp dụng nhất quán giúp khách hàng nhận diện thương hiệu ngay lập tức ở mọi điểm chạm. Đồng thương hiệu (co-branding) kết hợp hai thương hiệu đã có uy tín trên cùng một sản phẩm để mỗi bên tận dụng uy tín và tệp khách hàng của bên kia, nhưng cũng khiến danh tiếng của mỗi bên gắn liền với bên còn lại.

4.4.4 Brand personality

Firms often deliberately craft a **brand personality** – describing the brand as if it were a person (exciting, sincere, rugged, sophisticated, competent) – to create an emotional connection and consistent tone across every piece of promotion and packaging. A clearly defined brand personality guides everyday marketing decisions (the tone of a social media post, the models used in an advert) so that many different people, across many different campaigns over many years, can still produce work that feels recognisably "on-brand."

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Doanh nghiệp thường xây dựng tính cách thương hiệu (brand personality) – mô tả thương hiệu như một con người (sôi nổi, chân thành, mạnh mẽ, tinh tế, có năng lực) – để tạo kết nối cảm xúc và giọng điệu nhất quán trong mọi hoạt động xúc tiến. Tính cách thương hiệu rõ ràng giúp định hướng các quyết định marketing hàng ngày để nhiều người, qua nhiều chiến dịch, vẫn tạo ra nội dung "đúng chất" thương hiệu.

4.4.5 The product life cycle (PLC)

The **product life cycle** models how sales revenue for a typical product changes over time, through five stages:

Introduction – product just launched; sales are low and grow slowly, marketing spend is high (building awareness among a sceptical or unaware market), and profit is often negative once launch costs are included.

Growth – sales rise rapidly as the product gains acceptance and word-of-mouth spreads; competitors begin to enter, attracted by the visible early success; profit margins typically reach their peak.

Maturity – sales growth slows sharply as the market approaches saturation; competition intensifies and marketing shifts from building the whole market toward defending the firm's own market share from rivals.

Saturation – sales plateau at (or near) their peak; most potential customers already own/use the product, so further growth comes mainly from replacement purchases and taking share directly from rivals rather than from new customers.

Decline – sales fall as tastes change, technology advances, or substitutes emerge; firms must decide whether to withdraw the product, harvest it (minimise further spend while maximising remaining profit), or attempt an extension strategy.

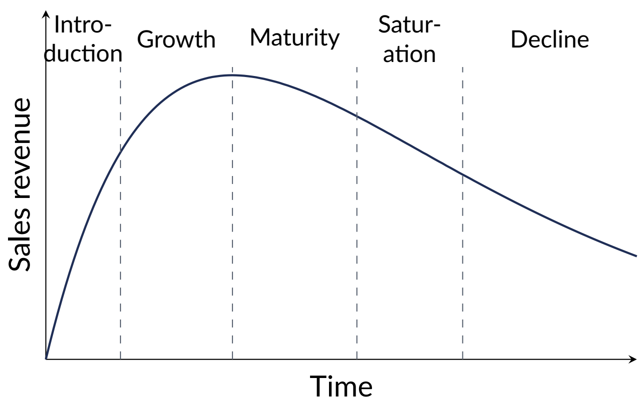

Figure 4.2 – The product life cycle: sales revenue over time typically follows an introduction–growth–maturity–saturation–decline pattern; extension strategies aim to prolong maturity/saturation and delay the onset of decline.

Worked example: Identifying PLC stages from sales data

Annual sales ($'000) of a wireless desk-lamp: Year 1 $= 50$, Year 2 $= 200$, Year 3 $= 480$, Year 4 $= 650$, Year 5 $= 660$, Year 6 $= 500$, Year 7 $= 300$.

Calculate year-on-year % growth to classify each stage:

$$\frac{200-50}{50} = +300\% \quad \frac{480-200}{200} = +140\% \quad \frac{650-480}{480} \approx +35\% \quad \frac{660-650}{650} \approx +1.5\% \quad \frac{500-660}{660} \approx -24\% \quad \frac{300-500}{500} = -40$$

Year 1 ($50k): **Introduction** – low base, just launched. **Years 2–3** (+300%, +140%): **Growth** – rapid, accelerating-then-strong expansion.
Year 4 (+35%): **Maturity** – growth has slowed sharply versus Years 2–3. **Year 5** (+1.5%): **Saturation** – sales have essentially flattened at their peak ($660k).
Years 6–7 (–24%, –40%): **Decline** – sales falling, and the rate of decline is accelerating.

4.4.6 Matching the marketing mix to the PLC stage

Because customer awareness, competitive intensity and profit margins all change across the product life cycle, the appropriate marketing-mix tactics should change with it.

Stage	Price	Promotion	Place
Introduction	Skimming or penetration	Heavy, awareness-building	Limited/selective
Growth	Competitive, may fall as rivals enter	Brand-building, differentiation	Expanding rapidly
Maturity/Saturation	Defensive, promotional discounts	Differentiation, loyalty schemes	Maximum/intensive
Decline	Harvest (minimise cost) or cut	Minimal, or none	Selective/reduced, withdraw weak outlets

Table 4.6 – How typical marketing-mix tactics shift across the product life cycle (Figure 4.2).

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Chiến thuật marketing mix nên thay đổi theo từng giai đoạn PLC: Giới thiệu (giá hớt váng hoặc thâm nhập, quảng bá mạnh để tạo nhận biết, phân phối giới hạn); Tăng trưởng (giá cạnh tranh, xây dựng thương hiệu, mở rộng phân phối nhanh); Trưởng thành/Bão hoà (giá phòng thủ/khuyến mãi, khác biệt hoá và chương trình khách hàng thân thiết, phân phối tối đa); Suy thoái (thu hoạch/cắt giảm chi phí, quảng bá tối thiểu, phân phối chọn lọc hoặc rút lui khỏi các điểm bán yếu).

4.4.7 Diffusion of innovation and adopter categories

The speed at which a market moves through the product life cycle is heavily influenced by *which type of customer* is buying at each stage, described by the **diffusion of innovation** model.

Innovators (roughly the first 2.5% of buyers) – risk-tolerant enthusiasts who buy a genuinely new product first, often before it is fully proven.

Early adopters (≈13.5%) – opinion leaders who adopt early once initial risk is somewhat reduced, and whose endorsement strongly influences the wider market.

Early majority (≈34%) – more risk-averse, pragmatic buyers who adopt once the product is proven and widely available – their entry typically marks the true start of the **Growth** stage.

Late majority (≈34%) – sceptical buyers who adopt only once the product is mainstream and low-risk, corresponding to **Maturity/Saturation**.

Laggards (≈16%) – the most risk-averse/traditional buyers, who adopt last, often only once the previous product is no longer available at all.

(!) Lỗi thường gặp: Many genuinely innovative products fail not in the Introduction stage itself, but in the transition from **early adopters** to the far larger, more risk-averse **early majority** – often called "crossing the chasm." A product that only ever appeals to enthusiasts never reaches the volume needed for a true Growth stage, and can appear to enter Decline having never really left Introduction.

Being a **first-mover** (the first firm to launch in a new category) can capture early brand loyalty, temporary monopoly profits, and control of the best distribution relationships – but also bears the full cost of educating the market and the risk that a full product-market fit has not yet been found. A **fast follower** lets the first-mover absorb this early risk and cost, then enters shortly afterward with a refined, improved offering once real demand has been proven – trading a first-mover's head start for a lower-risk, better-informed entry.

Common causes of new-product failure include: inadequate market research (misjudging real customer demand), poor timing (launching too early or too late relative to the diffusion curve above), weak differentiation from existing alternatives, underestimating the marketing budget needed to build awareness during Introduction, and poor cross-functional coordination between marketing, operations and finance (Unit 1) during launch.

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VN Người tiên phong (first-mover) – doanh nghiệp đầu tiên ra mắt trong một danh mục mới – có thể chiếm được lòng trung thành sớm và lợi nhuận độc quyền tạm thời, nhưng phải gánh toàn bộ chi phí "giáo dục thị trường" và rủi ro sản phẩm chưa thực sự phù hợp thị trường. Người theo sau nhanh (fast follower) để người tiên phong gánh rủi ro này, rồi gia nhập ngay sau đó với sản phẩm đã cải tiến khi nhu cầu thực tế đã được chứng minh. Các nguyên nhân phổ biến khiến sản phẩm mới thất bại: nghiên cứu thị trường không đầy đủ, thời điểm ra mắt không phù hợp, thiếu khác biệt hoá, đánh giá thấp ngân sách marketing cần thiết, và phối hợp kém giữa các phòng ban khi ra mắt.

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VN Mô hình khuếch tán đổi mới (diffusion of innovation) chia người mua thành 5 nhóm theo thời điểm chấp nhận sản phẩm mới: người tiên phong (innovators, ≈2.5%), người chấp nhận sớm (early adopters, ≈13.5%), số đông chấp nhận sớm (early majority, ≈34% – đánh dấu giai đoạn Tăng trưởng thực sự), số đông chấp nhận muộn (late majority, ≈34%), và nhóm chậm chấp nhận (laggards, ≈16%). Nhiều sản phẩm sáng tạo thất bại ngay tại "khoảng hố" (chasm) giữa early adopters và early majority – không bao giờ đạt đủ quy mô để bước vào giai đoạn Tăng trưởng thực sự.

4.4.8 Fads, fashions and classics: variations on the PLC shape

Not every product follows the smooth introduction–growth–maturity–saturation–decline curve of Figure 4.2 at the same speed.

Fad – rockets through Introduction and Growth very quickly, peaks at high sales, then collapses into Decline almost as fast, often within a single season; firms must recover their investment extremely quickly since there is little Maturity stage to rely on.

Fashion (cyclical) product – rises and falls in popularity repeatedly over time (rather than declining permanently), often returning to renewed Growth after a period of Decline as styles cycle back into favour.

Classic (staple) product – reaches Maturity and then remains there for a very long period with minimal further decline, supported by continuous, modest extension strategies rather than a single dramatic relaunch.

GIẢI THÍCH TIẾNG VIỆT

VN Không phải sản phẩm nào cũng theo đúng đường cong PLC chuẩn. Trào lưu nhất thời (fad) tăng và giảm rất nhanh, gần như không có giai đoạn trưởng thành. Sản phẩm theo mùa/xu hướng (fashion/cyclical) tăng giảm lặp đi lặp lại theo thời gian thay vì suy thoái vĩnh viễn. Sản phẩm kinh điển (classic) đạt trưởng thành rồi duy trì rất lâu nhờ liên tục áp dụng các chiến lược kéo dài vòng đời nhỏ thay vì một lần relaunch lớn.

4.4.9 Crowdfunding and pre-order validation

Before committing to full-scale production, many firms – particularly start-ups – use **crowdfunding** or open **pre-orders** to test genuine customer demand during the risky Introduction stage. Customers pledge or pay in advance for a product that does not yet exist at scale; if enough pledges are received, the firm proceeds to manufacture, often using the funds raised to help finance production itself. This validates real willingness to pay with actual money – a far stronger signal than a survey answer – and reduces the risk of an expensive Introduction-stage failure, though it also publicly reveals the product concept to competitors before launch and can create reputational damage if the funded product is delayed or never delivered.

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Gọi vốn cộng đồng (crowdfunding) và đặt hàng trước (pre-order) giúp doanh nghiệp, đặc biệt start-up, kiểm chứng nhu cầu thực tế trước khi sản xuất quy mô lớn ở giai đoạn Giới thiệu đầy rủi ro – khách hàng trả tiền trước là tín hiệu mạnh hơn nhiều so với khảo sát. Rủi ro: công khai ý tưởng sản phẩm cho đối thủ trước khi ra mắt, và thiệt hại uy tín nếu sản phẩm bị trễ hoặc không giao được.

4.4.10 Co-creation and crowdsourcing

Some firms invite customers to actively participate in developing new products or content – **co-creation** – through crowdsourced design competitions, customer voting on new flavours/features, or open online communities suggesting improvements. This can generate genuinely innovative ideas directly from real users, builds a strong sense of ownership and loyalty among participating customers, and provides free, informal market research into what customers actually want – though it also risks generating expectations that cannot all realistically be fulfilled, and can slow decision-making if too many conflicting customer voices must be reconciled.

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Đồng sáng tạo (co-creation) và huy động cộng đồng (crowdsourcing) mời khách hàng tham gia trực tiếp vào phát triển sản phẩm mới (cuộc thi thiết kế, bình chọn hương vị/tính năng mới, cộng đồng trực tuyến góp ý) – tạo ý tưởng đổi mới thực sự từ người dùng, xây dựng cảm giác sở hữu và lòng trung thành, đồng thời là một hình thức nghiên cứu thị trường phi chính thức miễn phí. Rủi ro: tạo kỳ vọng không thể đáp ứng hết, và có thể làm chậm quyết định nếu phải dung hoà quá nhiều ý kiến khách hàng khác nhau.

4.4.11 Extension strategies

Before or during decline, a firm can attempt an **extension strategy** to prolong the product's life and restart a phase of growth: entering **new markets** (new export territory, a new demographic segment), **new packaging** or a product-formula variant, **price changes** or targeted promotions, promoting **new uses** for the existing product, or **fresh advertising**/repositioning to reintroduce the product to a new generation of customers. Extension strategies delay, but do not eliminate, eventual decline, and each carries a marketing cost that must be weighed carefully against the extra revenue/life it is realistically likely to generate.

GIẢI THÍCH TIẾNG VIỆT

VN

Vòng đời sản phẩm (PLC) gồm 5 giai đoạn: giới thiệu (introduction), tăng trưởng (growth), trưởng thành (maturity), bão hoà (saturation), và suy thoái (decline) – có thể nhận diện qua % tăng trưởng doanh số theo năm. Chiến lược kéo dài vòng đời (extension strategies – thị trường mới, bao bì mới, thay đổi giá, công dụng mới, quảng cáo mới) giúp trì hoãn suy thoái nhưng không thể ngăn chặn hoàn toàn.

Growth strategies mapped on the **Ansoff Matrix** (Unit 1) carry direct marketing-mix implications: **market penetration** (existing product, existing market) is pursued mainly through promotion and pricing tactics to win share from rivals; **market development** (existing product, new market) requires fresh STP work for the new market and often adaptation of promotion/place (Section 4.10); **product development** (new product, existing market) begins a brand-new product life cycle for the existing customer base; and **diversification** (new product, new market) requires building an entirely new marketing mix with no existing brand equity or customer relationships to draw on, explaining why it is the highest-risk growth strategy.

GIẢI THÍCH TIẾNG VIỆT

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Bốn chiến lược tăng trưởng trong ma trận Ansoff (Unit 1) có ý nghĩa marketing riêng: thâm nhập thị trường (market penetration) chủ yếu dùng xúc tiến và giá để giành thị phần; phát triển thị trường (market development) cần làm lại STP cho thị trường mới; phát triển sản phẩm (product development) khởi động một vòng đời sản phẩm hoàn toàn mới; đa dạng hoá (diversification) phải xây dựng marketing mix từ đầu, không có sẵn giá trị thương hiệu hay quan hệ khách hàng – đây là lý do đây là chiến lược rủi ro cao nhất.

4.4.12 The Boston Consulting Group (BCG) matrix

The **BCG matrix** classifies a firm's portfolio of products (or strategic business units) on two dimensions: **market growth rate** (how fast the overall market is expanding) and **relative market share** (the firm's market share compared specifically to its *largest* rival, not its share of the total market).

Star – high growth, high relative share: a market leader in a fast-growing market; needs heavy continued investment to defend its position against new entrants, but generates strong (and growing) returns in exchange.

Cash Cow – low growth, high relative share: a market leader in a mature/slow-growing market; needs comparatively little further investment and generates strong, stable cash flow that can be used to fund other products.

Question Mark – high growth, low relative share: an uncertain prospect in a fast-growing market; management must decide whether to invest heavily (to "build" it into a future Star) or divest before losses mount.

Dog – low growth, low relative share: a weak position in a slow or declining market; usually a candidate for harvesting (minimal further spend) or outright divestment.

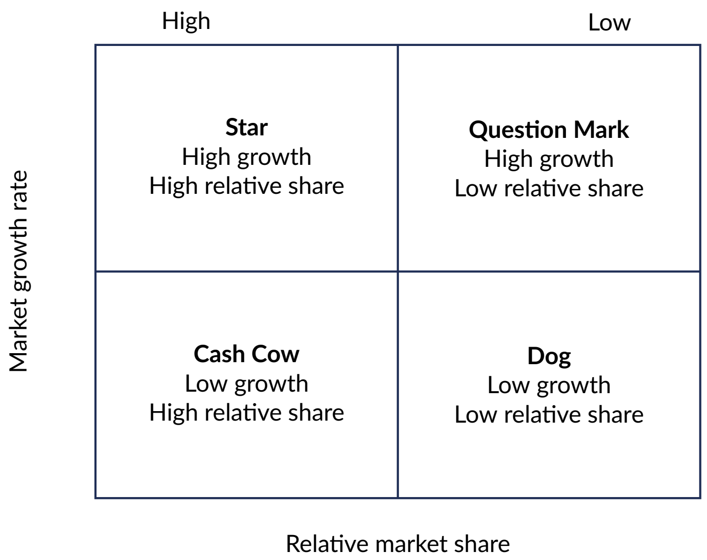

Figure 4.3 – The BCG (Boston Consulting Group) matrix. Relative market share is measured against the largest single rival, and by convention decreases from left to right.

Worked example: Relative market share and BCG classification

$$\text{Relative market share} = \frac{\text{Own market share (or sales)}}{\text{Largest rival's market share (or sales)}}$$

A snack-food company's new "QuickBite" energy bar has annual sales of $18 million in a category growing at 15% per year; the category's market leader has annual sales of $60 million.

$$\text{Relative market share} = \frac{18}{60} = \boxed{0.3}$$

A relative share of 0.3 (< 1) is **low**, and market growth (15%) is **high** ⇒ QuickBite is a **Question Mark**.

The same company's long-established "ClassicChoc" bar has annual sales of $150 million in a mature category growing at only 2% per year; the nearest rival has sales of $50 million.

$$\text{Relative market share} = \frac{150}{50} = \boxed{3.0}$$

A relative share of 3.0 (> 1) is **high**, and market growth (2%) is **low** ⇒ ClassicChoc is a **Cash Cow** – its stable profit can help fund the investment QuickBite needs to grow into a future Star.

(!) Lỗi thường gặp: **Relative** market share is a *ratio to the largest rival*, not the firm's % share of the total market. A firm with 20% of a market where the leader has 60% has a relative share of $20/60 = 0.33$ (low) – even though 20% might sound respectable in isolation.

VN **GIẢI THÍCH TIẾNG VIỆT**

Ma trận BCG phân loại danh mục sản phẩm theo hai trục: tốc độ tăng trưởng thị trường và thị phần tương đối (so với đối thủ lớn nhất, không phải thị phần tuyệt đối). Star (ngôi sao): tăng trưởng cao, thị phần cao. Cash Cow (bò sữa): tăng trưởng thấp, thị phần cao – tạo dòng tiền ổn định. Question Mark (dấu hỏi): tăng trưởng cao, thị phần thấp – cần quyết định đầu tư hay rút lui. Dog (chó): tăng trưởng thấp, thị phần thấp – thường bị thu hẹp hoặc thoái vốn.

4.4.13 Product mix and portfolio balance

A firm's **product mix** (or product portfolio) is the full set of products it sells. **Width** refers to the number of distinct product lines the firm offers (e.g. shampoo, soap, toothpaste); **depth** refers to the number of variants (sizes, flavours, models) within a single line. A wider mix spreads risk across several different markets; a deeper line captures more of a single market by offering more choice within it, though excessive depth risks **cannibalising** the firm's own sales – one variant stealing sales directly from another – rather than winning genuinely new customers.

Khái niệm cốt lõi

A well-**balanced** portfolio, viewed through the BCG matrix, deliberately combines products at different life-cycle stages: **Cash Cows** generate the stable, low-risk cash flow used to fund the development and marketing of promising **Question Marks** and to defend existing **Stars**, while **Dogs** are typically phased out to free up management attention and capital. A firm relying entirely on Cash Cows has no future growth pipeline once those mature products eventually decline; a firm relying entirely on Question Marks has no reliable cash flow to fund that growth – both extremes are unbalanced and risky in different ways.

VN GIẢI THÍCH TIẾNG VIỆT

Danh mục sản phẩm (product mix) có chiều rộng (width – số dòng sản phẩm khác nhau) và chiều sâu (depth – số biến thể trong một dòng); chiều sâu quá lớn có thể khiến các biến thể "ăn thịt lẫn nhau" (cannibalisation) thay vì thu hút khách hàng mới. Danh mục cân bằng theo BCG: Cash Cow tạo dòng tiền ổn định để tài trợ cho Question Mark và bảo vệ Star; Dog thường bị loại bỏ dần. Doanh nghiệp chỉ có Cash Cow thiếu động lực tăng trưởng tương lai; chỉ có Question Mark thì thiếu dòng tiền ổn định để tài trợ tăng trưởng đó.

4.4.14 Why market share matters strategically

A high market share is valuable beyond the immediate revenue it represents: it typically brings **economies of scale** (Unit 1) that lower unit costs relative to smaller rivals, greater **bargaining power** with suppliers and distributors, a stronger platform for future brand extensions, and can act as a **barrier to entry** that discourages new competitors from challenging an already-dominant firm. This is why firms sometimes deliberately pursue market share (even at the expense of short-term profit, e.g. through penetration pricing) as a strategic objective in its own right, rather than treating profit as the only goal worth pursuing.

VN GIẢI THÍCH TIẾNG VIỆT

Thị phần cao mang lại lợi ích chiến lược ngoài doanh thu trực tiếp: lợi thế quy mô (economies of scale) giúp giảm chi phí đơn vị, quyền lực đàm phán với nhà cung cấp/nhà phân phối lớn hơn, nền tảng vững chắc để mở rộng thương hiệu, và có thể trở thành rào cản gia nhập (barrier to entry) khiến đối thủ mới e ngại. Đây là lý do một số doanh nghiệp chủ động theo đuổi thị phần (kể cả phải hy sinh lợi nhuận ngắn hạn qua định giá thâm nhập) như một mục tiêu chiến lược độc lập.

Primary (category) demand is demand for an entire product category regardless of brand (e.g. total demand for electric vehicles); **selective (brand) demand** is demand for one specific brand within that category. A dominant market leader often has a strategic incentive to invest in growing *primary* demand for the whole category (since it will capture a large share of any category growth), while smaller challengers focus promotional spend almost entirely on winning *selective* demand away from specific rivals.

VN GIẢI THÍCH TIẾNG VIỆT

Nhu cầu sơ cấp (primary/category demand) là nhu cầu cho toàn bộ danh mục sản phẩm bất kể thương hiệu nào; nhu cầu chọn lọc (selective/brand demand) là nhu cầu cho một thương hiệu cụ thể trong danh mục đó. Doanh nghiệp dẫn đầu thị trường thường có động lực đầu tư mở rộng nhu cầu sơ cấp cho cả danh mục, trong khi đối thủ nhỏ hơn tập trung chi tiêu xúc tiến để giành nhu cầu chọn lọc từ đối thủ cụ thể.

4.4.15 Competitive market positions: leaders, challengers, followers and nichers

Firms within the same market can also be classified by their competitive role, which shapes their marketing strategy.

Market leader – holds the largest market share; typically defends its position by innovating first, expanding total market demand, or matching/blocking challengers' moves.

Market challenger – a strong #2 or #3 firm that actively attacks the leader (or smaller rivals) with aggressive pricing, innovation, or promotion to gain share.

Market follower – deliberately imitates the leader's successful strategy at a lower cost rather than attacking directly, avoiding expensive and risky head-to-head competitive retaliation.

Market nicher – specialises in a small segment the larger players consider too small or specialised to bother targeting, echoing concentrated/niche targeting (Section 4.3).

GIẢI THÍCH TIẾNG VIỆT
VN
Doanh nghiệp trong cùng thị trường có thể phân theo vai trò cạnh tranh: dẫn đầu thị trường (market leader – thị phần lớn nhất, bảo vệ vị thế), thách thức thị trường (market challenger – tấn công trực diện để giành thị phần), theo sau thị trường (market follower – bắt chước chiến lược của người dẫn đầu với chi phí thấp hơn, tránh đối đầu trực tiếp tốn kém), và chuyên biệt hoá ngách (market nicher – tập trung vào phân khúc nhỏ mà doanh nghiệp lớn bỏ qua).

4.4.16 Sources of sustainable competitive advantage

Ultimately, every marketing-mix decision should build toward a **sustainable competitive advantage** – a genuine reason customers choose this firm over rivals that is difficult for those rivals to copy quickly.

Cost leadership – being the lowest-cost producer in the market, allowing profitable competitive pricing that rivals struggle to match without sacrificing their own margin.

Differentiation – offering a genuinely distinct product, brand, or service experience that customers value enough to pay a premium for, reducing direct price competition.

Focus – combining cost leadership or differentiation with a narrow target segment (niche/concentrated targeting), competing only within that specific space rather than the whole market.

A durable advantage is one built on capabilities that are genuinely hard for rivals to replicate quickly – patented technology, an exceptionally strong brand built over decades, or unique economies of scale – rather than a temporary tactic (like a short-term discount) that any competitor can copy within days.

GIẢI THÍCH TIẾNG VIỆT
VN
Lợi thế cạnh tranh bền vững thường đến từ: dẫn đầu chi phí (cost leadership – chi phí sản xuất thấp nhất), khác biệt hoá (differentiation – sản phẩm/thương hiệu/trải nghiệm dịch vụ khác biệt đáng để trả giá cao hơn), hoặc tập trung (focus – kết hợp một trong hai chiến lược trên với một phân khúc hẹp). Lợi thế bền vững thực sự phải khó bị đối thủ sao chép nhanh chóng (công nghệ có bằng sáng chế, thương hiệu mạnh xây dựng lâu năm), chứ không phải chiến thuật ngắn hạn như giảm giá tạm thời mà đối thủ có thể bắt chước trong vài ngày.

4.5 Price

4.5.1 Pricing strategies

Cost-plus pricing – add a fixed % mark-up to the unit cost; simple to calculate and guarantees a margin on every unit sold, but ignores competitor prices and customers' actual willingness to pay.

Penetration pricing – set a deliberately **low** initial price to gain market share quickly, then raise it once established; suits mass-market entry into a competitive market, but sacrifices early profit and can be difficult to raise later without losing price-sensitive customers.

Price skimming – set a deliberately **high** initial price to maximise revenue from early adopters, then lower it over time as competitors enter; suits genuinely innovative products with a strong USP, patent protection, or first-mover advantage.

Competitive (market-based) pricing – set price mainly by reference to what rivals charge for similar products, adjusting up or down for genuine differentiation.

Psychological pricing – exploit how customers actually perceive a price (e.g. $9.99 instead of $10 appears meaningfully cheaper; a deliberately high "prestige" price signals luxury/quality).

Price discrimination – charge different customers (or the same customer at different times) different prices for an essentially identical product, based on their differing willingness to pay (e.g. lower off-peak train fares, or lower student/senior prices), maximising total revenue captured from a market with varied price sensitivity.

Promotional pricing – temporary price cuts, discounts or "loss-leader" pricing on one product to attract footfall/trial and drive sales of complementary, full-margin products.

Strategy	Best suited to	Main risk
Cost-plus	Stable-cost, low-competition environments	Ignores demand/competitor prices
Penetration	New entrant into a crowded, price-sensitive market	Sacrifices early profit; hard to raise later
Skimming	Innovative, patent-protected, first-mover products	Invites fast competitor entry once price is visible
Competitive	Markets with close, well-known substitutes	Can trigger a damaging price war
Psychological	Consumer goods, retail price points	Only works if customers perceive it as genuinely cheaper

Table 4.2 – Choosing a pricing strategy to fit the market situation.

VN **GIẢI THÍCH TIẾNG VIỆT**

Các chiến lược định giá chính: định giá cộng chi phí (cost-plus – cộng thêm % lợi nhuận vào chi phí), định giá thâm nhập (penetration – giá thấp ban đầu để chiếm thị phần nhanh), định giá hớt váng (skimming – giá cao ban đầu cho sản phẩm sáng tạo/độc quyền), định giá theo đối thủ (competitive), định giá tâm lý (psychological – ví dụ $9.99), phân biệt giá (price discrimination – tính giá khác nhau cho các nhóm khách hàng khác nhau), và định giá khuyến mãi (promotional – giảm giá tạm thời).

Worked example: Cost-plus pricing

A product costs $15 per unit to make. The firm applies a 40% cost-plus mark-up.

$$\text{Selling price} = 15 \times 1.40 = \boxed{\$21}$$

4.5.2 Mark-up on cost versus margin on selling price

These two measures of profitability are commonly confused because both compare profit to a cost figure – but they use a *different denominator*.

Khái niệm cốt lõi

Mark-up on cost $= \dfrac{\text{Selling price} - \text{Cost}}{\text{Cost}} \times 100$ Margin on selling price $= \dfrac{\text{Selling price} - \text{Cost}}{\text{Selling price}} \times 100$

Because selling price is always greater than cost (assuming any profit is made at all), the **margin % is always lower than the mark-up %** for the same pair of numbers.

Worked example: Mark-up vs margin

A retailer buys a product for $80 and sells it for $100.

Mark-up on cost $= \dfrac{100-80}{80} \times 100 = \boxed{25\%}$ Margin on selling price $= \dfrac{100-80}{100} \times 100 = \boxed{20\%}$

Note the two answers differ (25% vs 20%) even though they describe the exact same $20 of profit.

Reverse case: suppose the retailer instead wants to guarantee a **25% margin on selling price** (not a 25% mark-up) on the same $80 cost. Let SP be the required selling price:

$$SP = \frac{\text{Cost}}{1 - \text{margin}} = \frac{80}{1-0.25} = \frac{80}{0.75} = \boxed{\$106.67}$$

Check: profit $= 106.67 - 80 = 26.67$; margin $= 26.67/106.67 = 25.0\%$ ✓. This required price ($106.67) is *higher* than simply adding a 25% mark-up to cost ($100), because a 25% margin on selling price is equivalent to roughly a 33.3% mark-up on cost ($26.67/80 = 33.3\%$).

(!) Lỗi thường gặp: "A 25% mark-up" and "a 25% margin" are **not the same price**. Always check which base (cost, or selling price) a quoted percentage is measured against before calculating.

GIẢI THÍCH TIẾNG VIỆT

VN Mark-up on cost tính lợi nhuận trên chi phí; margin on selling price tính lợi nhuận trên giá bán – cùng một số tiền lợi nhuận nhưng cho ra hai % khác nhau (margin luôn thấp hơn mark-up). Đây là lỗi rất thường gặp trong đề thi IB: phải luôn xác định rõ mẫu số là chi phí hay giá bán trước khi tính.

4.5.3 Price elasticity of demand and pricing decisions

Price elasticity of demand (PED) measures how responsive the quantity demanded is to a change in price, and should directly inform which pricing strategy a firm chooses.

Khái niệm cốt lõi

$$PED = \frac{\%\ \text{change in quantity demanded}}{\%\ \text{change in price}}$$

If demand is **price inelastic** ($|PED| < 1$, e.g. a product with few close substitutes or strong brand loyalty), a firm can **raise price** and total revenue will *rise*, since the % fall in quantity demanded is smaller than the % price increase. If demand is **price elastic** ($|PED| > 1$, e.g.

a product with many close, easily substitutable rivals), raising price *reduces* total revenue, so firms in elastic markets compete more on price, promotions, or genuine differentiation (which itself reduces elasticity) rather than on straightforward price increases.

VN GIẢI THÍCH TIẾNG VIỆT

Độ co giãn của cầu theo giá (PED) đo mức độ lượng cầu thay đổi khi giá thay đổi. Cầu không co giãn (inelastic, $|PED| < 1$, thường do ít sản phẩm thay thế hoặc lòng trung thành thương hiệu cao) cho phép tăng giá mà tổng doanh thu vẫn tăng. Cầu co giãn (elastic, $|PED| > 1$) khiến tăng giá làm giảm tổng doanh thu – doanh nghiệp khi đó cạnh tranh nhiều hơn bằng khuyến mãi hoặc khác biệt hoá sản phẩm thay vì tăng giá.

4.5.4 Freemium and subscription-based pricing

Many digital products use **freemium** pricing: a basic version is offered completely free to build a very large user base and awareness cheaply, while a premium version with extra features is sold to the (typically small) % of users willing to pay – profitability depends on that premium conversion rate being high enough to cover the cost of serving all the free users. **Subscription pricing** charges a regular (e.g. monthly) fee for ongoing access rather than a single one-off purchase, converting an uncertain, irregular sales pattern into predictable, recurring revenue, and giving the firm a strong incentive to keep improving the product continuously to prevent subscribers cancelling.

VN GIẢI THÍCH TIẾNG VIỆT

Định giá freemium cung cấp bản cơ bản miễn phí để xây dựng lượng người dùng lớn, trong khi bán bản cao cấp cho một tỷ lệ nhỏ người dùng sẵn sàng trả tiền – lợi nhuận phụ thuộc vào tỷ lệ chuyển đổi này đủ cao. Định giá thuê bao (subscription) tính phí định kỳ thay vì mua một lần, biến doanh thu bất định thành doanh thu định kỳ có thể dự đoán, đồng thời tạo động lực mạnh để liên tục cải thiện sản phẩm nhằm giữ chân người đăng ký.

4.5.5 Dynamic and surge pricing

Dynamic pricing adjusts price continuously, often algorithmically, in response to real-time changes in demand, supply, competitor prices or even the individual customer's browsing behaviour. **Surge pricing** is a specific form used when demand temporarily and sharply exceeds available supply (e.g. ride-hailing prices rising during a storm or major event), raising price to ration scarce capacity toward those most willing to pay while also incentivising more suppliers to become available. It can maximise revenue and, in theory, matches price precisely to real-time market conditions, but customers who feel unfairly exploited during a moment of genuine need can suffer lasting reputational damage to the brand.

VN GIẢI THÍCH TIẾNG VIỆT

Định giá động (dynamic pricing) điều chỉnh giá liên tục theo thời gian thực dựa trên cung–cầu, giá đối thủ, thậm chí hành vi duyệt web của từng khách hàng. Định giá cao điểm (surge pricing) là một dạng cụ thể áp dụng khi nhu cầu vượt xa nguồn cung tạm thời (ví dụ giá xe công nghệ tăng khi trời mưa bão) – tối đa hoá doanh thu nhưng có thể gây phản cảm nếu khách hàng cảm thấy bị lợi dụng lúc cần thiết nhất.

4.5.6 Behavioural pricing: anchoring and decoy effects

Consumer choice is not purely rational, and pricing can exploit predictable psychological biases studied in behavioural economics. **Anchoring** occurs when a customer's judgement of whether a price is "good" is heavily influenced by the first price they see (e.g. showing a high "was" price crossed out next to a lower "now" price makes the current price feel like a bargain, even if the current price alone would have seemed high in isolation). The **decoy effect** adds a third, deliberately unattractive option to a choice of two, specifically to make one of the original two options look like the clearly superior choice by comparison (e.g. a small popcorn at $3, a large at $7, and a medium – the "decoy" – at $6.50, which makes the large seem like much better value than it would seem on its own).

GIẢI THÍCH TIẾNG VIỆT

VN Định giá theo hành vi (behavioural pricing) khai thác thiên lệch tâm lý: hiệu ứng neo (anchoring) khiến khách hàng đánh giá một mức giá là "tốt" dựa trên mức giá đầu tiên họ nhìn thấy (ví dụ giá gạch bỏ cao hơn bên cạnh giá hiện tại thấp hơn). Hiệu ứng mồi nhử (decoy effect) thêm một lựa chọn thứ ba kém hấp dẫn để khiến một trong hai lựa chọn ban đầu trông vượt trội hơn hẳn khi so sánh.

4.5.7 Product bundling and multi-buy pricing

Bundling sells two or more products together for a single combined price that is usually lower than buying each item separately. This raises the average value of each transaction, can move a slower-selling product alongside a popular one, and makes direct price comparison with a rival's single-item price more difficult for the customer. The risk is that some customers would have happily paid full, separate prices for items they now receive at a discount within the bundle, meaning bundling can reduce revenue from those particular customers even as it increases average transaction size overall.

GIẢI THÍCH TIẾNG VIỆT

VN Bán theo gói (bundling) bán nhiều sản phẩm cùng lúc với một mức giá gộp thấp hơn tổng giá riêng lẻ – tăng giá trị mỗi giao dịch, giúp bán kèm sản phẩm bán chậm, và gây khó khăn cho khách hàng khi so sánh giá với đối thủ. Rủi ro: một số khách hàng lẽ ra sẵn sàng trả giá đầy đủ cho từng sản phẩm riêng lẻ nay lại được giảm giá qua gói combo, có thể làm giảm doanh thu từ chính nhóm khách hàng đó.

4.5.8 Product-line pricing and "good-better-best" tiers

Rather than a single price, many firms deliberately offer a product line at multiple **price points** – a basic, mid-range and premium version of essentially the same core product ("good-better-best" tiering) – so that customers with different budgets and quality expectations all find something to buy from the same firm, rather than trading down to a cheaper rival entirely. The mid-tier option is often deliberately priced and specified to look like the most sensible, "obvious" choice, nudging undecided customers toward it (echoing the decoy-effect logic discussed above).

GIẢI THÍCH TIẾNG VIỆT

VN Định giá theo dòng sản phẩm (product-line pricing) cung cấp nhiều mức giá "tốt–tốt hơn–tốt nhất" (good-better-best) trong cùng một dòng sản phẩm cốt lõi, giúp khách hàng có ngân sách khác nhau đều tìm được lựa chọn phù hợp thay vì chuyển hẳn sang đối thủ rẻ hơn. Phiên bản tầm trung thường được thiết kế và định giá để trông là lựa chọn hợp lý nhất, thúc đẩy khách hàng còn phân vân chọn nó.

4.5.9 Ethical and legal limits on pricing

Not all pricing tactics are legally or ethically acceptable. **Price gouging** – exploiting a sudden shortage or emergency (e.g. a natural disaster) to charge excessive prices for essential goods – is restricted or banned in many jurisdictions and causes serious reputational damage even where technically legal. **Predatory pricing** – deliberately pricing below cost for a sustained period specifically to force a smaller rival out of business, then raising prices once the rival has exited – is illegal under competition/anti-trust law in most countries, since it ultimately harms consumers once genuine competition has been eliminated.

VN GIẢI THÍCH TIẾNG VIỆT

Không phải chiến thuật định giá nào cũng hợp pháp/đạo đức. Định giá "chặt chém" (price gouging – lợi dụng khan hiếm/khẩn cấp để tính giá quá cao cho hàng hoá thiết yếu) bị hạn chế/cấm ở nhiều nơi. Định giá huỷ diệt (predatory pricing – cố tình định giá dưới chi phí trong thời gian dài để loại đối thủ nhỏ hơn khỏi thị trường, rồi tăng giá trở lại) là bất hợp pháp theo luật cạnh tranh ở hầu hết các quốc gia vì cuối cùng gây hại cho người tiêu dùng.

(!) Lỗi thường gặp: A firm should not choose a single pricing strategy in isolation from the others discussed in this section – for example, a penetration-priced new entrant might still use psychological pricing ($X.99) and later shift toward price discrimination once it has built a loyal customer base, showing that these strategies are tools to be combined and evolved over time rather than a single permanent choice.

4.6 Promotion

4.6.1 Above-the-line and below-the-line promotion

Above-the-line (ATL) promotion – paid mass-media advertising: television, national press/print, radio, cinema, outdoor billboards, and broad paid digital display advertising. Reaches a very large audience and builds broad brand awareness, but is expensive, harder to target precisely, and difficult to measure the direct return on any single advert.

Below-the-line (BTL) promotion – everything else: **sales promotions** (discount coupons, competitions, loyalty-point schemes, free samples/trials), **direct marketing** (targeted email, direct mail, SMS/app notifications), **public relations (PR)** (press releases, sponsorship, product placement, community/charity events – shaping public perception through largely unpaid or earned coverage), and **personal selling** (a sales representative dealing directly with a customer, especially common in B2B markets). BTL activity is typically more targeted and measurable, and often cheaper per customer reached, but rarely builds broad brand awareness as efficiently as ATL.

	Above-the-line (ATL)	Below-the-line (BTL)
Reach	Very broad, mass audience	Narrower, more targeted audience
Cost per contact	Often lower per person reached, high total cost	Often higher per person, lower total cost
Measurability	Harder to attribute directly to sales	Easier to track/measure direct response
Best for	Building broad brand awareness/image	Driving a specific, immediate action (trial, purchase)

Table 4.3 – Comparing above-the-line and below-the-line promotion.

VN GIẢI THÍCH TIẾNG VIỆT

Above-the-line (ATL): quảng cáo trả phí trên phương tiện truyền thông đại chúng (TV, báo in, radio, biển quảng cáo) – tiếp cận rộng nhưng đắt và khó đo lường hiệu quả trực tiếp. Below-the-line (BTL): khuyến mãi bán hàng, marketing trực tiếp, quan hệ công chúng (PR), bán hàng cá nhân – nhắm mục tiêu tốt hơn, dễ đo lường, thường rẻ hơn trên mỗi khách hàng nhưng khó xây dựng nhận diện thương hiệu rộng như ATL.

4.6.2 Sales promotion techniques in depth

Beyond the broad ATL/BTL distinction, specific **sales promotion** techniques each have distinct strengths and risks that a firm should weigh before choosing one.

Discount coupons/vouchers – drive trial and short-term volume, but can train loyal customers to wait for the next discount rather than pay full price.

Competitions and prize draws – generate engagement and data (entrants' contact details) cheaply relative to the prize cost, but rarely build lasting loyalty on their own.

Loyalty/points schemes – reward and help retain *repeat* customers and generate valuable CRM purchase data (Section 4.8.3), but represent an ongoing cost commitment and can be copied relatively easily by rivals.

Free samples/trial sizes – reduce the customer's perceived risk of trying something new, especially effective for genuinely superior but unfamiliar products, but produce no revenue on the sample itself.

"Buy-one-get-one-free" (BOGOF) – drives a large short-term volume increase and can clear excess stock, but sharply reduces the effective margin per unit and can undermine the perceived "normal" price if used too often.

VN **GIẢI THÍCH TIẾNG VIỆT**

Các kỹ thuật khuyến mãi bán hàng: phiếu giảm giá (coupon – tăng dùng thử nhưng có thể khiến khách chờ giảm giá), cuộc thi/rút thăm trúng thưởng (thu thập dữ liệu khách hàng rẻ nhưng ít tạo lòng trung thành lâu dài), chương trình tích điểm (loyalty scheme – giữ chân khách hàng nhưng tốn chi phí liên tục và dễ bị sao chép), mẫu dùng thử miễn phí (giảm rủi ro cảm nhận khi thử sản phẩm mới), và "mua 1 tặng 1" (BOGOF – tăng doanh số ngắn hạn mạnh nhưng giảm margin và có thể làm giảm giá trị cảm nhận của giá gốc).

4.6.3 Rational and emotional advertising appeals

Advertising messages generally appeal to customers in one of two ways. A **rational (informational) appeal** presents factual, logical reasons to buy (price, technical specification, proven performance data), suiting complex or high-involvement purchases (B2B equipment, financial products) where customers actively want facts. An **emotional appeal** connects the product to a feeling or aspiration (happiness, status, nostalgia, belonging) rather than facts, suiting products where the customer's underlying motivation is more about identity or feeling than objective performance. Many campaigns deliberately blend both, opening with an emotional hook to capture attention before providing rational justification to support the purchase decision.

VN **GIẢI THÍCH TIẾNG VIỆT**

Thông điệp quảng cáo thường theo hai hướng: hấp dẫn lý tính (rational appeal – đưa ra lý do thực tế, dữ liệu, thông số kỹ thuật, phù hợp sản phẩm phức tạp/giá trị cao) và hấp dẫn cảm xúc (emotional appeal – gắn sản phẩm với cảm xúc/khát vọng như hạnh phúc, địa vị, hoài niệm). Nhiều chiến dịch kết hợp cả hai: mở đầu bằng cảm xúc để thu hút chú ý, sau đó cung cấp lý do lý tính để củng cố quyết định mua.

4.6.4 Direct marketing in depth

Direct marketing communicates with individually identified customers rather than a mass, undifferentiated audience: **email marketing** (low cost per contact, easily personalised and tracked, but can be ignored or marked as spam), **direct mail** (a physical, tangible item that stands out amid digital clutter, but is comparatively expensive per contact and less easily tracked), and **telemarketing** (a live, persuasive two-way conversation, but increasingly intrusive/unwelcome to many customers and heavily regulated in many countries). Because each identified customer can, in principle, receive a message tailored to their own known preferences (drawing on the CRM data discussed in Section 4.8.3), direct marketing bridges promotion and customer relationship management.

GIẢI THÍCH TIẾNG VIỆT
VN
Marketing trực tiếp (direct marketing) giao tiếp với từng khách hàng đã xác định danh tính: email marketing (chi phí thấp, dễ cá nhân hoá nhưng dễ bị bỏ qua/đánh dấu spam), thư trực tiếp (direct mail – vật phẩm hữu hình nổi bật nhưng chi phí cao hơn), và telemarketing (hội thoại trực tiếp thuyết phục nhưng dễ gây khó chịu và bị quản lý chặt). Vì có thể cá nhân hoá theo dữ liệu CRM, marketing trực tiếp kết nối giữa xúc tiến và quản trị quan hệ khách hàng.

4.6.5 Sponsorship and experiential marketing

Sponsorship associates a brand with an event, team, or cause (e.g. a sports team's shirt sponsor) to transfer that event's positive associations (excitement, prestige, community feeling) onto the brand, working especially well when there is a genuine, credible link between the brand and the sponsored activity. **Experiential marketing** creates an immersive, memorable brand experience (a pop-up store, an interactive brand event) rather than simply communicating a message, aiming to generate deeper engagement and social-media sharing than a conventional advert. Both approaches are typically harder to measure directly against sales than more trackable BTL activity, but can build long-term brand equity that more transactional promotions cannot.

GIẢI THÍCH TIẾNG VIỆT
VN
Tài trợ (sponsorship) gắn thương hiệu với sự kiện/đội thể thao để chuyển các liên tưởng tích cực (phấn khích, uy tín, cộng đồng) sang thương hiệu, hiệu quả nhất khi có mối liên hệ thực sự đáng tin cậy giữa thương hiệu và hoạt động được tài trợ. Marketing trải nghiệm (experiential marketing) tạo trải nghiệm thương hiệu sống động, đáng nhớ (cửa hàng pop-up, sự kiện tương tác) thay vì chỉ truyền tải thông điệp – khó đo lường trực tiếp doanh số hơn nhưng có thể xây dựng giá trị thương hiệu dài hạn.

4.6.6 Crisis management and reputation repair

When a firm faces a public crisis (a product-safety recall, a data breach, a viral complaint), how quickly and transparently it communicates through public relations often matters more to long-term reputation than the severity of the original incident itself. A fast, honest, empathetic response that takes visible responsibility and explains concrete corrective action tends to limit lasting reputational damage; a slow, defensive, or dishonest response – even to a relatively minor issue – can turn a manageable problem into a much larger, viral crisis (Section 4.8.2's viral marketing cuts both ways).

GIẢI THÍCH TIẾNG VIỆT
VN
Khi doanh nghiệp đối mặt khủng hoảng công khai (thu hồi sản phẩm, rò rỉ dữ liệu, phàn nàn lan truyền), tốc độ và sự minh bạch trong giao tiếp qua quan hệ công chúng (PR) thường quan trọng hơn cả mức độ nghiêm trọng của sự cố ban đầu đối với uy tín lâu dài. Phản ứng nhanh, trung thực, nhận trách nhiệm rõ ràng giúp hạn chế thiệt hại; phản ứng chậm, né tránh hoặc thiếu trung thực có thể biến vấn đề nhỏ thành khủng hoảng lan truyền lớn.

4.6.7 Cause-related marketing

Cause-related marketing links a firm's promotion directly to a charitable or social cause (e.g. donating a fixed amount to a cause for every unit sold), aiming to differentiate the brand and appeal to increasingly values-driven customers while genuinely supporting the cause. To avoid being dismissed as opportunistic (or accused of greenwashing-style exploitation, Section 4.1.6), the link between the brand and the cause should be genuine, transparent about exactly how much support is provided, and sustained over time rather than a single short-lived campaign.

GIẢI THÍCH TIẾNG VIỆT

VN

Marketing gắn với mục đích xã hội (cause-related marketing) liên kết trực tiếp hoạt động xúc tiến với một mục đích từ thiện/xã hội (ví dụ quyên góp một khoản cố định cho mỗi sản phẩm bán ra) – giúp khác biệt hoá thương hiệu và thu hút khách hàng coi trọng giá trị xã hội. Để tránh bị xem là cơ hội chủ nghĩa, mối liên kết giữa thương hiệu và mục đích xã hội cần chân thực, minh bạch về mức độ hỗ trợ cụ thể, và duy trì lâu dài thay vì một chiến dịch ngắn hạn.

4.6.8 Tiered loyalty and gamification

Many loyalty schemes add **tiers** (e.g. bronze/silver/gold, or points-based "levels") that grant increasing rewards and status as a customer spends more, creating an aspirational incentive to reach the next tier rather than simply accumulating generic points. **Gamification** borrows game-like mechanics – badges, progress bars, streaks, leaderboards – to make ordinary repeat engagement feel more rewarding and enjoyable, increasing the frequency and duration of customer interaction with the brand.

GIẢI THÍCH TIẾNG VIỆT

VN

Nhiều chương trình khách hàng thân thiết có phân cấp (tiered loyalty – đồng/bạc/vàng) tạo động lực khát vọng đạt cấp cao hơn thay vì chỉ tích điểm đơn thuần. Game hoá (gamification) vay mượn cơ chế trò chơi (huy hiệu, thanh tiến độ, chuỗi ngày, bảng xếp hạng) để khiến việc tương tác lặp lại với thương hiệu trở nên thú vị và đáng làm hơn.

4.6.9 Guerrilla marketing and low-budget promotion

Guerrilla marketing uses unconventional, low-cost, high-creativity tactics (surprising public stunts, striking street art, clever social-media moments) to generate attention and word-of-mouth disproportionate to the money actually spent – particularly valuable for small firms that cannot compete with a large rival's ATL advertising budget. Because it depends on being genuinely surprising and shareable, a guerrilla campaign that works brilliantly once is hard to repeat, and a stunt perceived as reckless, disruptive or offensive can generate exactly the wrong kind of viral attention.

GIẢI THÍCH TIẾNG VIỆT

VN

Marketing du kích (guerrilla marketing) dùng chiến thuật sáng tạo, chi phí thấp, gây bất ngờ (street art, hoạt động công cộng) để tạo sự chú ý và truyền miệng vượt xa số tiền bỏ ra – phù hợp với doanh nghiệp nhỏ không đủ ngân sách quảng cáo ATL. Vì phụ thuộc vào yếu tố bất ngờ, chiến dịch guerrilla thành công một lần khó lặp lại, và có thể phản tác dụng nếu bị xem là liều lĩnh hoặc phản cảm.

4.6.10 Personal selling in B2B markets

In B2B markets (Section 4.1.5), **personal selling** – a trained sales representative building a direct, ongoing relationship with a business customer – is often the single most important promotional tool, since B2B purchases are typically high-value, technically complex, and made by a formal buying committee that expects detailed, tailored answers rather than a mass-media message. A skilled sales representative can identify the specific buyer's concerns, adapt the pitch in real time, and negotiate terms in a way that no advert can – but personal selling is also by far the most expensive promotional method per customer contacted, making it economically justified only for high-value transactions.

GIẢI THÍCH TIẾNG VIỆT

VN

Trong thị trường B2B, bán hàng cá nhân (personal selling) thường là công cụ xúc tiến quan trọng nhất vì giao dịch B2B có giá trị lớn, phức tạp về kỹ thuật, và được quyết định bởi hội đồng mua hàng cần câu trả lời chi tiết, phù hợp riêng thay vì thông điệp đại chúng. Nhân viên bán hàng giỏi có thể điều chỉnh cách trình bày theo từng khách hàng và đàm phán điều khoản – nhưng đây cũng là phương thức xúc tiến tốn kém nhất trên mỗi khách hàng tiếp cận.

4.6.11 Push and pull promotional strategies

A **push strategy** incentivises *intermediaries* (wholesalers, retailers) – through trade discounts, sales-force effort, or in-store display allowances – to actively "push" the product toward the final consumer. It suits B2B/industrial goods and new or lesser-known brands that need distributors' active cooperation to gain shelf space in the first place. A **pull strategy** builds demand directly with the *final consumer* (advertising, brand-building, social media) so that consumers actively "pull" the product through the channel by demanding it from retailers, who then must stock it to satisfy that demand. Well-established consumer brands, which retailers already want to stock because customers actively ask for them, rely more heavily on pull strategies; many firms deliberately blend both approaches at once.

VN GIẢI THÍCH TIẾNG VIỆT

Chiến lược đẩy (push) tập trung ưu đãi cho trung gian phân phối (chiết khấu thương mại, hỗ trợ trưng bày) để họ chủ động "đẩy" sản phẩm tới người tiêu dùng – phù hợp với hàng công nghiệp/B2B hoặc thương hiệu mới. Chiến lược kéo (pull) xây dựng nhu cầu trực tiếp từ người tiêu dùng (quảng cáo, xây dựng thương hiệu) khiến người tiêu dùng chủ động "kéo" sản phẩm qua kênh phân phối bằng cách yêu cầu nhà bán lẻ phải có hàng.

(!) Lỗi thường gặp: Push and pull strategies are not mutually exclusive alternatives – most large, well-known consumer brands run **both simultaneously**: pull-strategy advertising builds consumer demand, while push-strategy trade incentives ensure retailers are well-stocked and prominently displaying the product precisely when that consumer demand arrives.

4.6.12 Integrated marketing communications (IMC)

Integrated marketing communications ensures every promotional channel a customer encounters – television, social media, in-store display, email, packaging – carries a **consistent core message and visual identity**, rather than fragmented or contradictory messaging across channels. A customer who sees a consistent brand story across every touchpoint builds trust and recall far more effectively than a customer exposed to disconnected, one-off campaigns that each say something slightly different.

VN GIẢI THÍCH TIẾNG VIỆT

Truyền thông marketing tích hợp (IMC) đảm bảo mọi kênh xúc tiến (TV, mạng xã hội, trưng bày tại cửa hàng, email, bao bì) truyền tải cùng một thông điệp cốt lõi và hình ảnh nhận diện nhất quán, thay vì rời rạc, mâu thuẫn – giúp khách hàng xây dựng lòng tin và ghi nhớ thương hiệu hiệu quả hơn nhiều so với các chiến dịch đơn lẻ, thiếu liên kết.

4.6.13 Measuring promotional campaign success

Firms judge a campaign using several standard metrics rather than gut feeling alone.

Reach – the number (or %) of the target audience exposed to the campaign at least once.

Frequency – the average number of times each person in that audience was exposed to it.

Conversion rate – the % of people exposed who go on to actually make a purchase, calculated as (number of purchases $\div$ number exposed) $\times 100$.

For example, an advert reaching 50,000 people (reach) with an average of 3 exposures each (frequency), which generates 1,000 purchases, has a conversion rate of $1{,}000/50{,}000 \times 100 = 2\%$ –

a figure that can then be compared against previous campaigns or industry benchmarks to judge whether the specific creative message, targeting or offer is genuinely working, rather than just judging a campaign by how much was spent or how many people merely saw it.

GIẢI THÍCH TIẾNG VIỆT

VN Đo lường hiệu quả chiến dịch xúc tiến: phạm vi tiếp cận (reach – số người tiếp xúc ít nhất một lần), tần suất (frequency – số lần tiếp xúc trung bình mỗi người), và tỷ lệ chuyển đổi (conversion rate – % người tiếp xúc thực sự mua hàng). Ví dụ: 50.000 người tiếp cận, 1.000 người mua → tỷ lệ chuyển đổi $= 2\%$ – con số này giúp so sánh hiệu quả giữa các chiến dịch thay vì chỉ nhìn vào chi phí hoặc số người nhìn thấy quảng cáo.

Share of voice (SOV) measures a brand's promotional presence (advertising spend, social media mentions, PR coverage) as a % of the total promotional activity in its category, and is often compared against **share of market (SOM)**: a brand whose SOV consistently exceeds its SOM is investing in future market-share growth, while a brand whose SOV lags its SOM risks losing share to more vocal rivals over time.

GIẢI THÍCH TIẾNG VIỆT

VN Thị phần tiếng nói (share of voice – SOV) đo mức độ hiện diện quảng bá của một thương hiệu so với tổng hoạt động quảng bá trong ngành, thường so sánh với thị phần thị trường (share of market – SOM): thương hiệu có SOV cao hơn SOM đang đầu tư cho tăng trưởng thị phần tương lai; SOV thấp hơn SOM có nguy cơ mất thị phần dần về tay đối thủ ồn ào hơn.

Worked example: Allocating a promotional budget

A firm has a $200,000 promotional budget to launch a brand-new product. It allocates: 50% to broad-reach digital and social-media advertising (ATL), 25% to in-store sampling and point-of-sale displays (BTL), 15% to a launch PR event, and 10% held in reserve to respond to competitor activity.

$$\text{Digital/social} = 200{,}000 \times 0.50 = \$100{,}000 \qquad \text{In-store BTL} = 200{,}000 \times 0.25 = \$50{,}000$$

$$\text{PR event} = 200{,}000 \times 0.15 = \$30{,}000 \qquad \text{Reserve} = 200{,}000 \times 0.10 = \$20{,}000$$

Check: $100{,}000 + 50{,}000 + 30{,}000 + 20{,}000 = \boxed{\$200{,}000}$. Because this is a brand-new launch, the largest share deliberately goes to broad-reach **awareness**-building advertising (the top of the marketing funnel, Figure 4.6) rather than to retention-focused activity, since there are not yet any existing customers to retain.

4.7 Place and distribution channels

4.7.1 Classifying consumer goods: convenience, shopping, speciality and unsought products

Consumer goods are often classified into four categories that directly inform pricing, promotion and distribution-intensity decisions.

Convenience goods – low-priced, frequently purchased with minimal comparison (snacks, milk); require **intensive** distribution and simple, repetitive promotion.

Shopping goods – higher-priced, purchased less often after comparing price/quality/style across several options (clothing, appliances); suit **selective** distribution and promotion that highlights points of comparison.

Speciality goods – customers have a strong existing brand preference and will make a special purchasing effort to obtain a specific brand (a particular luxury watch, a specific surgeon); suit **exclusive** distribution and promotion built around brand prestige.

Unsought goods – products customers do not normally think about buying and would not search for on their own initiative (life insurance, smoke detectors, funeral services); require active, persuasive promotion (often personal selling) precisely *because* customer demand does not already exist.

GIẢI THÍCH TIẾNG VIỆT

VN Hàng tiêu dùng thường phân thành 4 loại: hàng tiện dụng (convenience goods – giá thấp, mua thường xuyên, cần phân phối rộng rãi), hàng mua sắm (shopping goods – giá cao hơn, khách so sánh trước khi mua, phù hợp phân phối chọn lọc), hàng đặc thù (speciality goods – khách có sự trung thành thương hiệu mạnh, sẵn sàng nỗ lực đặc biệt để mua, phù hợp phân phối độc quyền), và hàng không tìm kiếm (unsought goods – khách không chủ động nghĩ đến việc mua, như bảo hiểm nhân thọ – cần xúc tiến chủ động, thuyết phục mạnh, thường qua bán hàng cá nhân).

4.7.2 Channel intermediaries and channel length

Place refers to how a product physically (or digitally) reaches the final customer. A **wholesaler** buys in bulk directly from producers, "breaks bulk" into smaller quantities, and resells to many retailers, providing storage and reducing the number of individual transactions a producer must manage. A **retailer** buys from a producer or wholesaler and sells directly to the final consumer, typically in smaller quantities and at a location/format convenient for consumers.

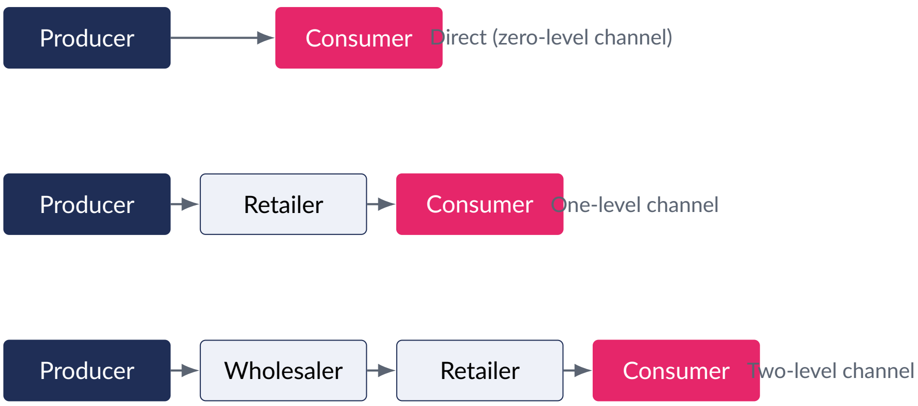

Figure 4.4 – Distribution channel length. Each additional intermediary (wholesaler, retailer) takes a margin in exchange for storage, breaking bulk, and local market access/relationships, lengthening the route from producer to final consumer.

GIẢI THÍCH TIẾNG VIỆT

VN Nhà bán buôn (wholesaler) mua sỉ từ nhà sản xuất, chia nhỏ hàng hoá và bán lại cho nhiều nhà bán lẻ. Nhà bán lẻ (retailer) bán trực tiếp cho người tiêu dùng cuối. Kênh trực tiếp (direct/zero-level) không qua trung gian; kênh một cấp (one-level) qua một trung gian (nhà bán lẻ); kênh hai cấp (two-level) qua hai trung gian (bán buôn rồi bán lẻ). Kênh càng dài, nhà sản xuất càng ít phải tự quản lý phân phối nhưng cũng mất nhiều margin hơn cho trung gian.

4.7.3 Factors affecting channel choice

Product type – perishable, fragile, highly technical, or high-value products (fresh food, bespoke machinery) usually need shorter, more controlled channels; low-value, high-volume convenience goods (snacks, toiletries) typically use longer channels via wholesalers to achieve the widest possible availability.

Target market – a small number of large B2B/industrial customers can often be served directly; a large, geographically dispersed mass consumer market usually requires wholesalers/retailers, and unfamiliar export markets often require a local distributor with existing market knowledge and relationships.

Cost – each additional intermediary takes a margin, raising the final price (or shrinking the producer's own revenue per unit), but a longer channel can reduce the producer's own distribution, storage and selling costs and risk, especially where the producer lacks the scale or relationships to deal with many small retailers directly.

GIẢI THÍCH TIẾNG VIỆT

VN

Lựa chọn kênh phân phối phụ thuộc vào: loại sản phẩm (dễ hỏng/kỹ thuật cao thường cần kênh ngắn; hàng tiêu dùng nhanh thường dùng kênh dài để phủ rộng), thị trường mục tiêu (khách hàng B2B lớn có thể bán trực tiếp; thị trường đại chúng phân tán cần trung gian), và chi phí (mỗi trung gian lấy một phần margin nhưng giúp nhà sản xuất giảm chi phí/rủi ro tự phân phối).

4.7.4 Distribution intensity: intensive, selective and exclusive

Alongside channel *length*, a firm must also decide how widely available the product should be at each level of the channel.

Intensive distribution – sell through as many outlets as possible; suits low-value, high-turnover convenience goods (snacks, soft drinks) where maximum availability, not brand exclusivity, drives sales.

Selective distribution – sell through a limited number of carefully chosen outlets that fit the brand's image and can provide adequate service/display; suits "shopping goods" that customers actively compare before buying (electronics, mid-range clothing).

Exclusive distribution – sell through only one or very few outlets per market area, often via a formal exclusive agreement; suits luxury/specialty goods where scarcity and tightly controlled brand image are central to the product's appeal.

GIẢI THÍCH TIẾNG VIỆT

VN

Cường độ phân phối: phân phối rộng rãi (intensive – càng nhiều điểm bán càng tốt, phù hợp hàng tiêu dùng nhanh), phân phối chọn lọc (selective – một số điểm bán phù hợp hình ảnh thương hiệu, phù hợp hàng cần so sánh trước khi mua), và phân phối độc quyền (exclusive – rất ít điểm bán, phù hợp hàng xa xỉ/đặc thù cần kiểm soát hình ảnh thương hiệu chặt chẽ).

(!) Lỗi thường gặp: Distribution intensity and channel length are separate decisions that are sometimes confused: a firm can choose **exclusive** distribution through either a **direct** channel (selling only through its own single flagship store) or a **one-level** channel (selling through one single authorised retailer) – exclusivity describes *how widely available* the product is, while channel length describes *how many intermediaries* are used to get it there.

4.7.5 Franchising and marketing-mix consistency

Franchise agreements (Unit 1) typically require every independently-owned franchisee to follow a strict, standardised marketing mix set by the franchisor – consistent branding, approved suppliers, permitted pricing bands, and centrally-produced promotional material – which is precisely why a franchised chain can feel remarkably consistent to a customer even though each individual outlet is independently owned and managed. This gives the franchisor the brand-consistency benefits of standardisation (Section 4.10) while still achieving the fast, lower-capital expansion benefits of franchising.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> Hợp đồng nhượng quyền thường yêu cầu mọi chủ nhượng quyền độc lập tuân theo marketing mix tiêu chuẩn hoá nghiêm ngặt do bên nhượng quyền quy định (thương hiệu, nhà cung cấp được duyệt, khung giá, tài liệu quảng cáo trung tâm) – đây là lý do một chuỗi nhượng quyền có cảm giác nhất quán dù mỗi cửa hàng do chủ khác nhau vận hành độc lập.

4.7.6 Channel conflict and channel power

As producers increasingly sell direct-to-consumer online (Section 4.8.7), they risk **channel conflict** with their own existing wholesalers/retailers, who may feel undercut by a producer competing directly for the same customer. Large retailers can also exert significant **channel power** over smaller producers – dictating price, shelf placement, payment terms or even product specification – simply because the producer depends heavily on that retailer's shelf space to reach the mass market. Managing these relationships carefully (e.g. maintaining consistent pricing across a producer's own website and its retail partners) is essential to avoid alienating channel partners a firm still depends on.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> Xung đột kênh phân phối (channel conflict) xảy ra khi nhà sản xuất bán trực tiếp trực tuyến, cạnh tranh với chính nhà bán buôn/bán lẻ hiện có của mình. Quyền lực kênh (channel power) – nhà bán lẻ lớn có thể áp đặt giá, vị trí trưng bày, điều khoản thanh toán lên nhà sản xuất nhỏ vì nhà sản xuất phụ thuộc vào không gian trưng bày của họ để tiếp cận thị trường đại chúng.

4.7.7 Retail marketing: store layout and atmospherics

For physical retail, **store layout** (aisle design, product placement, checkout position) and **atmospherics** (lighting, music, scent, temperature) directly influence how long customers browse, what they notice, and ultimately how much they spend – effectively an extension of **physical evidence** (Section 4.9.3) into the retail environment itself. Placing high-margin or impulse items at eye level or near the checkout, and designing a layout that guides customers past as many products as possible, are deliberate marketing decisions rather than incidental store design choices.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> Bố trí cửa hàng (store layout – vị trí sản phẩm, lối đi, vị trí quầy thanh toán) và không khí cửa hàng (atmospherics – ánh sáng, âm nhạc, mùi hương, nhiệt độ) ảnh hưởng trực tiếp đến thời gian khách ở lại, sản phẩm khách chú ý, và mức chi tiêu – đây thực chất là mở rộng của "bằng chứng vật chất" (physical evidence) sang không gian bán lẻ. Đặt sản phẩm margin cao hoặc mua ngẫu hứng ở tầm mắt hoặc gần quầy thanh toán là quyết định marketing có chủ đích.

4.8 Digital and social media marketing

4.8.1 Search engine optimisation and paid search

Search engine optimisation (SEO) improves a website's *organic* (unpaid) ranking in search results through relevant content, well-chosen keywords, clear site structure and a good user experience.

SEO traffic is essentially free once strong rankings are achieved, but takes real time to build and offers no guarantee of a top ranking. **Paid search** buys sponsored placement in search results, charged typically on a pay-per-click basis: it delivers immediate visibility for a specific, targeted search term, but cost rises directly with the traffic/clicks it generates and visibility stops the moment spending stops.

VN GIẢI THÍCH TIẾNG VIỆT

SEO (tối ưu hoá công cụ tìm kiếm) cải thiện thứ hạng tự nhiên (không trả phí) trên kết quả tìm kiếm – miễn phí về lâu dài nhưng cần thời gian và không đảm bảo thứ hạng cao. Quảng cáo tìm kiếm trả phí (paid search) mua vị trí hiển thị ngay lập tức, tính phí theo mỗi lượt nhấp (pay-per-click) – hiệu quả tức thời nhưng chi phí tăng theo lưu lượng truy cập và dừng lại ngay khi ngừng chi trả.

(!) Lỗi thường gặp: A common mistake is treating SEO and paid search as substitutes rather than complements: many firms run paid search for immediate visibility on their most commercially important keywords *while simultaneously* building organic SEO rankings for the same terms, since paid visibility can be switched off instantly (e.g. if budget is cut) whereas organic rankings, once achieved, persist without ongoing spend.

Click-through rate (CTR) $= \dfrac{\text{Clicks}}{\text{Impressions}} \times 100$ – the % of people who saw an advert and clicked on it, indicating how compelling the advert/headline is.

Cost per click (CPC) $= \dfrac{\text{Total spend}}{\text{Number of clicks}}$ – how much is paid, on average, for each visitor delivered.

Cost per acquisition (CPA) $= \dfrac{\text{Total spend}}{\text{Number of conversions/sales}}$ – the true cost of gaining one paying customer, the most directly relevant of the three to profitability.

For example, a paid-search campaign generating 100,000 impressions and 2,000 clicks at a cost of \$1,000, of which 40 clicks convert into a sale, has $CTR = 2{,}000/100{,}000 \times 100 = 2\%$, $CPC = 1{,}000/2{,}000 = \$0.50$, and $CPA = 1{,}000/40 = \$25$ per paying customer – a figure the firm can then compare directly against that customer's expected lifetime value (Section 4.1.7) to judge whether the campaign is genuinely profitable.

VN GIẢI THÍCH TIẾNG VIỆT

Các chỉ số marketing số: tỷ lệ nhấp chuột (CTR $=$ số lượt nhấp $\div$ số lượt hiển thị $\times 100$), chi phí mỗi lượt nhấp (CPC $=$ tổng chi phí $\div$ số lượt nhấp), và chi phí mỗi khách hàng có được (CPA $=$ tổng chi phí $\div$ số lượt chuyển đổi) – CPA là chỉ số liên quan trực tiếp nhất đến lợi nhuận, nên so sánh với giá trị vòng đời khách hàng (CLV) để đánh giá chiến dịch có thực sự sinh lời hay không.

4.8.2 Social media marketing and viral marketing

Social media marketing builds brand communities, enables direct two-way engagement with customers, allows advertising targeted by user interests/behaviour, and often uses influencer partnerships and user-generated content to build authenticity and trust that traditional advertising struggles to achieve. **Viral marketing** designs content specifically to be shared rapidly and widely by users themselves (organic sharing), rather than relying solely on paid distribution – potentially reaching a huge audience at very low cost per person reached, but the spread is unpredictable and largely outside the firm's control, and negative content can spread just as fast, and just as far, as positive content.

VN GIẢI THÍCH TIẾNG VIỆT

Marketing mạng xã hội xây dựng cộng đồng thương hiệu, tương tác hai chiều trực tiếp với khách hàng, và quảng cáo nhắm mục tiêu theo sở thích/hành vi người dùng. Marketing lan truyền (viral marketing) tạo nội dung được người dùng tự chia sẻ rộng rãi – chi phí trên mỗi người tiếp cận rất thấp nếu thành công, nhưng khó kiểm soát và không đảm bảo lan truyền, và nội dung tiêu cực cũng có thể lan truyền nhanh không kém.

4.8.3 Customer relationship management (CRM)

CRM uses data collected across every customer touchpoint (purchase history, browsing behaviour, past enquiries/complaints, loyalty-scheme activity) to build long-term, individually personalised relationships with customers, rather than treating each transaction as an isolated, anonymous event.

Benefits of CRM: more relevant, personalised offers and communication; higher customer retention and lifetime value; more efficient, better-targeted marketing spend (less wasted on uninterested customers).

Risks/costs of CRM: significant investment in data systems and staff training; legal/ethical obligations around data privacy and security; the system is only as useful as the accuracy and completeness of the data it holds.

(!) Lỗi thường gặp: Collecting and using customer data through CRM and digital marketing carries genuine **data-privacy and ethical** responsibilities. Firms must be transparent about what data they collect and why, secure it against breaches, and comply with relevant data-protection regulation – mishandling customer data can cause serious reputational and legal damage that outweighs any short-term targeting benefit.

VN GIẢI THÍCH TIẾNG VIỆT

Quản trị quan hệ khách hàng (CRM) sử dụng dữ liệu khách hàng thu thập được (lịch sử mua hàng, hành vi, khiếu nại) để cá nhân hoá marketing và xây dựng quan hệ lâu dài, thay vì xem mỗi giao dịch là sự kiện đơn lẻ. Lợi ích: giữ chân khách hàng tốt hơn, marketing hiệu quả hơn. Rủi ro: chi phí đầu tư hệ thống lớn và trách nhiệm pháp lý/đạo đức về bảo mật dữ liệu.

4.8.4 Cross-selling and up-selling

Beyond acquiring new customers, firms can grow revenue from existing ones through **cross-selling** (recommending a complementary, additional product alongside the customer's main purchase, e.g. a phone case alongside a new phone) and **up-selling** (persuading the customer to choose a higher-specification, more expensive version of the product they were already going to buy). Both rely on accurate CRM data about a customer's existing purchases and preferences to make a genuinely relevant, well-timed recommendation rather than an irritating, irrelevant one.

VN GIẢI THÍCH TIẾNG VIỆT

Bán chéo (cross-selling) gợi ý sản phẩm bổ sung đi kèm sản phẩm chính khách đang mua; bán nâng cấp (up-selling) thuyết phục khách chọn phiên bản cao cấp, đắt hơn. Cả hai đều dựa vào dữ liệu CRM chính xác về lịch sử mua hàng và sở thích để đưa ra gợi ý thực sự phù hợp, đúng thời điểm thay vì gây khó chịu.

Churn rate – the % of customers who stop buying/subscribing over a given period – is the mirror image of the retention rate discussed above, and directly determines how long the average customer relationship (and therefore customer lifetime value, Section 4.1.7) actually lasts: even a small reduction in churn rate can substantially increase CLV over time, since customers are retained – and continue generating revenue – for far longer.

VN GIẢI THÍCH TIẾNG VIỆT

Tỷ lệ rời bỏ (churn rate – % khách hàng ngừng mua/huỷ đăng ký trong một giai đoạn) là mặt đối lập của tỷ lệ giữ chân khách hàng, quyết định trực tiếp thời gian trung bình của mối quan hệ khách hàng (và do đó giá trị vòng đời khách hàng, CLV) – chỉ cần giảm nhẹ churn rate cũng có thể tăng đáng kể CLV theo thời gian.

4.8.5 RFM analysis for customer segmentation

A widely used CRM technique, **RFM analysis**, segments existing customers using three purchase-history variables: **Recency** (how long since their last purchase), **Frequency** (how often they purchase), and **Monetary value** (how much they typically spend). Customers scoring highly on all three ("recent, frequent, high-spending") are the firm's most valuable and are prioritised for retention effort, while customers scoring poorly on all three (long since purchased, rarely bought, low spend) may be deprioritised or targeted with a specific "win-back" campaign instead.

VN GIẢI THÍCH TIẾNG VIỆT

Phân tích RFM là kỹ thuật CRM phổ biến, phân khúc khách hàng hiện có theo ba biến số lịch sử mua hàng: Recency (mức độ gần đây của lần mua cuối), Frequency (tần suất mua hàng), và Monetary value (giá trị chi tiêu). Khách hàng đạt điểm cao ở cả ba tiêu chí là nhóm giá trị nhất, được ưu tiên giữ chân; khách hàng đạt điểm thấp có thể được nhắm mục tiêu bằng chiến dịch "giành lại khách hàng" (win-back campaign).

4.8.6 Customer journey mapping

A **customer journey map** visually documents every touchpoint a customer has with a firm, from initial awareness through purchase to post-purchase support, alongside the customer's likely thoughts, emotions and pain points at each stage. Combining the consumer buying decision process (Section 4.3.1) with the digital marketing funnel (Figure 4.6) into a single, detailed map helps a firm identify precisely *where* a promising prospect is dropping out of the process, so that a specific fix (e.g. a confusing checkout page, a slow customer-service response) can be targeted directly rather than guessed at.

VN GIẢI THÍCH TIẾNG VIỆT

Bản đồ hành trình khách hàng (customer journey map) ghi lại trực quan mọi điểm chạm giữa khách hàng và doanh nghiệp, từ nhận biết đến mua hàng và hỗ trợ sau bán, cùng cảm xúc/điểm khó khăn ở mỗi giai đoạn. Kết hợp quy trình ra quyết định mua hàng và phễu marketing số thành một bản đồ chi tiết giúp doanh nghiệp xác định chính xác điểm khách hàng tiềm năng rời bỏ, để khắc phục trực tiếp thay vì đoán mò.

4.8.7 E-commerce and the changing nature of place

E-commerce has reshaped **place** in three major ways. First, it allows many producers to sell **direct-to-consumer online**, shortening or entirely bypassing (**disintermediating**) traditional wholesaler/retailer channels. Second, it blurs the line between *distribution* and *promotion*: a website or app is simultaneously a sales channel and a marketing/engagement touchpoint. Third, it has intensified **price transparency and competition**, since consumers can instantly compare prices across sellers worldwide, while creating new logistical challenges around fulfilment, last-mile delivery and returns management. Many retailers now pursue an **omni-channel** strategy, integrating physical stores and digital channels into one seamless experience (e.g. buy online, collect or return in-store).

Figure 4.6 – The digital marketing funnel (AIDA): a broad audience reached at the Awareness stage narrows at each successive stage as only some prospects convert through Interest and Desire into a final purchase Action.

VN **GIẢI THÍCH TIẾNG VIỆT**

Thương mại điện tử rút ngắn kênh phân phối (bán trực tiếp cho người tiêu dùng, bỏ qua trung gian), xoá nhoà ranh giới giữa phân phối và xúc tiến (website vừa là kênh bán vừa là điểm chạm marketing), và làm tăng tính minh bạch/cạnh tranh về giá. Bán lẻ đa kênh (omni-channel) tích hợp cửa hàng vật lý và kênh số thành một trải nghiệm liền mạch. Phễu marketing số (Awareness → Interest → Desire → Action) mô tả cách một lượng lớn khách tiềm năng dần thu hẹp qua từng giai đoạn cho tới khi mua hàng.

4.8.8 Platform business models and network effects

Some digital businesses operate as a **two-sided platform** or marketplace, connecting two distinct customer groups (e.g. buyers and independent sellers, or riders and drivers) rather than selling their own product directly. These platforms often benefit from **network effects**: the platform becomes more valuable to each side as more of the *other* side joins (more buyers attracts more sellers, which in turn attracts more buyers), which can create a very strong, self-reinforcing competitive advantage for whichever platform reaches significant scale first in a given market.

VN **GIẢI THÍCH TIẾNG VIỆT**

Một số doanh nghiệp số vận hành theo mô hình nền tảng hai chiều (two-sided platform), kết nối hai nhóm khách hàng khác nhau (người mua–người bán, tài xế–hành khách) thay vì tự bán sản phẩm. Các nền tảng này hưởng lợi từ hiệu ứng mạng lưới (network effects): nền tảng càng có giá trị khi càng nhiều người ở "phía bên kia" tham gia, tạo lợi thế cạnh tranh tự củng cố mạnh mẽ cho nền tảng đạt quy mô lớn trước.

4.8.9 Testimonials, reviews and social proof

Social proof – customer reviews, testimonials, user ratings and visible popularity indicators ("best-seller," "10,000 sold this month") – reduces a prospective customer's perceived risk by showing that many other people have already bought and been satisfied with the product. This is particularly powerful at the **Desire** stage of the marketing funnel (Figure 4.6), where a hesitant customer is comparing alternatives, and explains why firms actively encourage and prominently display customer reviews rather than relying solely on their own promotional claims, which customers increasingly discount as inherently biased.

VN **GIẢI THÍCH TIẾNG VIỆT**

Bằng chứng xã hội (social proof – đánh giá, lời chứng thực, xếp hạng người dùng, chỉ số phổ biến) giảm rủi ro cảm nhận của khách hàng tiềm năng bằng cách cho thấy nhiều người khác đã mua và hài lòng. Đặc biệt hiệu quả ở giai đoạn Khao khát (Desire) trong phễu marketing – đây là lý do doanh nghiệp chủ động khuyến khích và hiển thị đánh giá khách hàng thay vì chỉ dựa vào tuyên bố quảng cáo của chính mình.

4.8.10 Guarantees and risk reversal in online retail

Because online shoppers cannot physically inspect a product before buying, many e-commerce retailers offer a generous, low-friction **money-back guarantee** or free-returns policy, deliberately shifting the perceived risk of an unsatisfactory purchase from the customer back onto the retailer. This "**risk reversal**" can increase online conversion rates significantly, since it removes one of the main psychological barriers to online purchase (Section 4.3.1's cognitive dissonance) – though it also raises the retailer's own costs through returns processing and potential abuse by customers who exploit generous policies.

GIẢI THÍCH TIẾNG VIỆT
VN
Vì khách mua hàng trực tuyến không thể kiểm tra sản phẩm trực tiếp trước khi mua, nhiều nhà bán lẻ thương mại điện tử cung cấp chính sách hoàn tiền/đổi trả miễn phí, hào phóng (risk reversal) để chuyển rủi ro cảm nhận từ khách hàng sang chính nhà bán lẻ – giúp tăng tỷ lệ chuyển đổi mua hàng trực tuyến đáng kể, nhưng cũng làm tăng chi phí xử lý đổi trả và có thể bị một số khách hàng lợi dụng.

4.8.11 Content marketing, mobile marketing and analytics

Content marketing attracts and engages an audience by providing genuinely useful, entertaining or informative material (articles, videos, guides) rather than a direct sales pitch, building trust and organic reach – and supporting SEO – over time rather than through a single burst of paid activity. **Mobile marketing** reaches customers directly on smartphones (apps, location-based offers, SMS/push notifications), exploiting the fact that mobile devices are almost always close at hand throughout the day. Underpinning all of this, **marketing analytics** uses the large volumes of data generated by digital channels to measure campaign performance precisely and reallocate budget quickly toward whatever is demonstrably working, rather than waiting until a campaign ends to judge its success.

GIẢI THÍCH TIẾNG VIỆT
VN
Content marketing thu hút khách hàng bằng nội dung hữu ích/giải trí thay vì quảng cáo bán hàng trực tiếp, xây dựng lòng tin và hỗ trợ SEO lâu dài. Mobile marketing tiếp cận khách hàng qua điện thoại (ứng dụng, thông báo đẩy, ưu đãi theo vị trí). Phân tích dữ liệu marketing (marketing analytics) đo lường hiệu quả chiến dịch theo thời gian thực, giúp phân bổ lại ngân sách nhanh chóng tới những kênh đang thực sự hiệu quả.

4.8.12 Affiliate marketing and digital partnerships

Affiliate marketing pays an independent third party (a website, content creator or influencer) a commission for each customer they refer who completes a purchase, meaning the firm only pays for a *result* rather than for exposure that may or may not convert. This shifts much of the financial risk of a campaign onto the outcome rather than the upfront spend, but requires careful tracking (unique referral links/codes) and quality control, since an affiliate motivated purely by commission may promote a product in a way that is exaggerated or a poor fit for the firm's intended brand image.

GIẢI THÍCH TIẾNG VIỆT
VN
Affiliate marketing trả hoa hồng cho bên thứ ba (website, người sáng tạo nội dung, người có ảnh hưởng) cho mỗi khách hàng họ giới thiệu và dẫn đến giao dịch thành công – doanh nghiệp chỉ trả tiền cho kết quả thực tế thay vì chỉ lượt xem, nhưng cần theo dõi chặt chẽ (mã giới thiệu riêng) và kiểm soát chất lượng vì đối tác chạy theo hoa hồng có thể quảng bá sai lệch hình ảnh thương hiệu.

4.9 The extended marketing mix (7Ps) [HL only]

[HL] Services differ from physical goods in four key ways: **intangibility** (a service cannot be touched, seen or tried before purchase), **inseparability** (production and consumption typically happen at the same time, so the provider is effectively part of the product), **variability/heterogeneity** (quality can differ each time depending on who delivers the service and the circumstances), and **perishability** (unused capacity cannot be stored – an empty hotel room or airline seat tonight is lost revenue forever). Because the standard 4Ps (Product, Price, Place, Promotion) do not fully capture these features, three extra Ps are added for services.

Characteristic	Meaning	Marketing implication
Intangibility	Cannot be seen/touched before purchase	Use physical evidence to signal quality
Inseparability	Produced and consumed simultaneously	Staff (People) are part of the product
Variability	Quality can differ each time it is delivered	Standardise Process to ensure consistency
Perishability	Unused capacity cannot be stored	Manage demand/capacity carefully (e.g. pricing, booking systems)

Table 4.4 – The four characteristics of services and why they require the extended marketing mix.

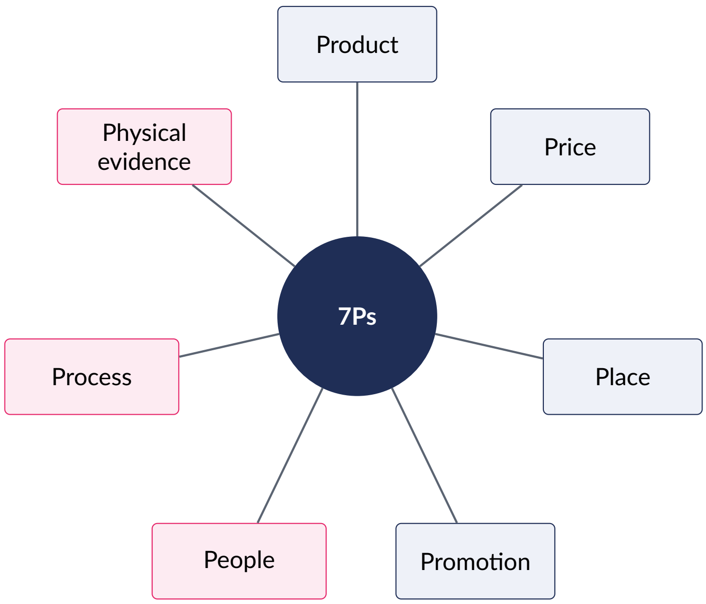

Figure 4.5 – The extended marketing mix. The core 4Ps (navy) apply to all products; the 3 extended Ps (pink, HL only) address the intangible, people-delivered nature of services.

4.9.1 People [HL only]

[HL] The staff who deliver and represent a service are often, in the customer's eyes, *part of the product itself*. Their training, appearance, attitude and – crucially – their empowerment to resolve problems on the spot, directly shape the customer's perception of service quality, in a way that has no real equivalent for a packaged physical good sitting on a shelf.

4.9.2 Process [HL only]

[HL] Process refers to the procedures, systems and sequence of steps by which a service is actually delivered: booking and check-in systems, queue management, order-to-delivery flow, standardisation of service steps, and digital self-service options. An efficient, consistent process improves reliability and reduces customer friction/waiting time, which matters enormously given that a service cannot be quality-checked and corrected *before* it reaches the customer, the way a faulty physical product can be inspected and rejected in a factory before it ever leaves the production line.

4.9.3 Physical evidence [HL only]

[HL] Physical evidence is the tangible cues surrounding an intangible service that customers use to judge quality *before and during* consumption, since they cannot inspect the service itself in advance: premises decor and cleanliness, staff uniforms, signage, website/app design, and the ambience (lighting, music, layout) of the service environment.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Dịch vụ khác hàng hoá vật chất ở 4 đặc điểm: vô hình (intangibility), không thể tách rời sản xuất–tiêu dùng (inseparability), không đồng nhất về chất lượng (variability), và không thể lưu trữ (perishability). Vì vậy marketing dịch vụ cần thêm 3P: con người (People – nhân viên là một phần sản phẩm), quy trình (Process – cách thức vận hành/giao dịch), và bằng chứng vật chất (Physical evidence – không gian, đồng phục, thiết kế website) để khách hàng đánh giá chất lượng dịch vụ vô hình trước và trong khi trải nghiệm.

4.9.4 Relationship marketing and the service-profit chain [HL only]

[HL] Transactional marketing treats each sale as a one-off event; **relationship marketing** instead aims to build a long-term, repeated relationship with each customer, recognising that retaining an existing customer is usually far cheaper than acquiring a new one (Section 4.1.7's CAC vs CLV logic).

> **Khái niệm cốt lõi**
>
> The **service-profit chain** links internal People decisions directly to external financial results: satisfied, well-trained and fairly rewarded **employees** → deliver higher, more consistent **service quality** → produce more **satisfied customers** → who become more **loyal, repeat customers** → generating higher long-run **profit**. This logic explains why investment in staff training, morale and empowerment (Section 4.9.1's People) is not simply a cost but can be a direct driver of financial performance in a service business.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Marketing giao dịch (transactional marketing) xem mỗi lần bán hàng là một sự kiện đơn lẻ; marketing quan hệ (relationship marketing) hướng tới xây dựng quan hệ lâu dài, lặp lại với khách hàng vì giữ chân khách cũ thường rẻ hơn nhiều so với thu hút khách mới. Chuỗi lợi nhuận dịch vụ (service-profit chain): nhân viên hài lòng → chất lượng dịch vụ cao hơn → khách hàng hài lòng → khách hàng trung thành → lợi nhuận cao hơn – giải thích vì sao đầu tư vào con người (People) không chỉ là chi phí mà có thể trực tiếp thúc đẩy kết quả tài chính.

4.9.5 Complaint handling and the service-recovery paradox [HL only]

[HL] Because services are variable and inseparable from the moment of delivery, things will occasionally go wrong – what matters most for long-term loyalty is often *how well* the failure is then handled. The **service-recovery paradox** describes how a customer whose complaint is resolved quickly, generously and empathetically can sometimes end up *more* loyal to the brand than if the failure had never happened at all, because the recovery itself becomes powerful evidence of how much the firm genuinely values them. This is precisely why empowering front-line staff (Section 4.9.1's People) to resolve problems immediately, without lengthy escalation, is such a valuable investment.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Vì dịch vụ không đồng nhất và gắn liền với thời điểm cung cấp, đôi khi sẽ có sai sót – điều quan trọng là xử lý sai sót đó tốt đến đâu. Nghịch lý phục hồi dịch vụ (service-recovery paradox) mô tả việc một khách hàng được xử lý khiếu nại nhanh chóng, hào phóng và chân thành đôi khi lại trở nên trung thành hơn cả khi chưa từng có sai sót xảy ra – vì đó là bằng

chứng mạnh mẽ cho thấy doanh nghiệp thực sự coi trọng họ.

4.9.6 Internal marketing [HL only]

[HL] Internal marketing treats employees as an internal "customer" of the brand promise: before staff can convincingly deliver a brand's promised experience to external customers, they must first understand, believe in, and feel genuinely motivated by that same brand promise themselves. A service business whose own staff do not believe its marketing claims will struggle to deliver those claims consistently and authentically at the point of service, regardless of how much is spent on external advertising.

VN GIẢI THÍCH TIẾNG VIỆT

[HL] Marketing nội bộ (internal marketing) xem nhân viên như "khách hàng nội bộ" của lời hứa thương hiệu – trước khi nhân viên có thể truyền tải trải nghiệm thương hiệu đã hứa cho khách hàng bên ngoài một cách thuyết phục, chính họ phải hiểu và tin vào lời hứa đó. Nếu nhân viên không tin vào những gì thương hiệu quảng cáo, họ sẽ khó lòng thực hiện đúng lời hứa đó tại điểm cung cấp dịch vụ, dù chi bao nhiêu tiền cho quảng cáo bên ngoài.

Worked example: [HL] Applying the 7Ps to a service business

Lotus Bay Resorts, a boutique hotel chain, applies the extended marketing mix as follows.

Product – boutique rooms, spa, restaurant. **Price** – premium rates reflecting a luxury positioning. **Place** – direct booking website plus major travel-booking platforms. **Promotion** – influencer stays and a loyalty programme for repeat guests.

People – front-desk staff receive extensive hospitality training and are explicitly **empowered** to resolve a guest complaint (e.g. offer a free breakfast or room upgrade) immediately, without needing manager approval, since a resort's "product" is inseparable from the staff delivering it.

Process – a streamlined online booking and digital check-in process aims for guests to be in their room within 3 minutes of arrival, reducing the friction/waiting that would otherwise dominate a guest's first impression.

Physical evidence – the lobby décor, staff uniforms, room cleanliness and website design all provide tangible cues of quality that reassure a guest *before* they can actually experience the (intangible) service of "a relaxing stay."

Together, People, Process and Physical evidence compensate for the fact that a hotel stay cannot be sampled or returned like a physical good – trust must be built through these tangible and human signals instead.

4.10 International marketing [HL only]

[HL] As firms expand abroad (Unit 1's multinational companies), every element of the marketing mix must address a central strategic choice: **standardisation** versus **adaptation (localisation)**.

Standardisation – use one uniform marketing mix worldwide. *Advantages*: lower costs through economies of scale, a single consistent global brand image, and faster international roll-out. *Disadvantages*: risks poor fit with local tastes, culture, language, or regulation.

Adaptation – customise the product, price, promotion and/or place for each local market. *Advantages*: greater relevance and acceptance in each specific market. *Disadvantages*: higher cost and complexity, and slower international roll-out.

Glocalisation – a hybrid strategy used by most successful global firms: standardise the core brand identity and strategy globally, while adapting specific tactical details (recipe, portion size, advertising imagery, language) to local markets.

Key factors influencing the standardise/adapt decision include **cultural differences** (taste, customs, religious dietary rules), **legal/regulatory differences** (labelling laws, safety standards, advertising restrictions, import tariffs), **economic development and purchasing power** across markets, the intensity of **local competition**, and **language/translation** issues in promotional material – a slogan that works perfectly in one language can be meaningless, or even embarrassing, when translated literally into another.

Regional **trade blocs** (Unit 1) directly shape international marketing strategy: membership can remove tariffs and harmonise product/labelling regulation across member countries, making **standardisation** more attractive within the bloc (since the same product and packaging can be sold across every member country without modification), while a firm marketing outside the bloc may still face the full cost and complexity of adaptation.

GIẢI THÍCH TIẾNG VIỆT

VN

Khối thương mại khu vực (trade blocs) ảnh hưởng trực tiếp đến chiến lược marketing quốc tế: là thành viên có thể xoá bỏ thuế quan và hài hoà hoá quy định sản phẩm/nhãn mác giữa các nước thành viên, khiến tiêu chuẩn hoá (standardisation) trở nên hấp dẫn hơn trong khối, trong khi marketing ra ngoài khối vẫn phải chịu đầy đủ chi phí và độ phức tạp của việc thích ứng.

[HL] High-context cultures (where meaning is conveyed indirectly, through relationship, tone and shared background as much as through words) often respond better to promotional messages that build atmosphere, story and relationship rather than making blunt, literal claims. **Low-context cultures** (where meaning is conveyed directly and explicitly) often respond better to direct, information-heavy, fact-based promotional messages, including explicit comparisons with competitors. A promotional message translated word-for-word, without adapting this underlying communication *style*, can feel oddly vague in a low-context market or uncomfortably blunt/pushy in a high-context one – adaptation of promotion is therefore often about far more than simply translating the words.

GIẢI THÍCH TIẾNG VIỆT

VN

[HL] Tiêu chuẩn hoá (standardisation) dùng một marketing mix thống nhất toàn cầu – tiết kiệm chi phí, hình ảnh thương hiệu nhất quán nhưng có thể không phù hợp văn hoá địa phương. Địa phương hoá (adaptation) điều chỉnh sản phẩm/giá/xúc tiến/phân phối theo từng thị trường – phù hợp hơn nhưng tốn kém và chậm hơn. ”Glocalisation” là chiến lược lai: giữ thương hiệu cốt lõi toàn cầu nhưng điều chỉnh chi tiết chiến thuật theo địa phương – cách tiếp cận phổ biến nhất trong thực tế.

4.10.1 Challenges of market research across cultures [HL only]

[HL] Conducting market research internationally raises problems beyond simple translation. A question that is culturally neutral in one country can be sensitive or even taboo in another (e.g. questions about income, family structure, or opinions of government); response styles also differ systematically between cultures – some cultures show a strong tendency toward polite, agreeable answers regardless of true opinion, which can make satisfaction scores appear artificially high. Firms operating internationally should adapt not just the language of a questionnaire but its structure, question sensitivity and the research method itself (e.g. relying more on observation or secondary data where direct questioning is culturally awkward) for genuinely reliable results.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Nghiên cứu thị trường quốc tế không chỉ đơn thuần là dịch ngôn ngữ – các câu hỏi trung lập ở nước này có thể nhạy cảm ở nước khác (thu nhập, gia đình, chính trị), và phong cách trả lời cũng khác nhau giữa các nền văn hoá (một số nền văn hoá có xu hướng trả lời lịch sự/đồng thuận bất kể ý kiến thật, khiến điểm hài lòng bị thổi phồng). Doanh nghiệp cần điều chỉnh cả cấu trúc câu hỏi và phương pháp nghiên cứu, không chỉ ngôn ngữ.

4.10.2 Localisation of international e-commerce [HL only]

[HL] Selling online across borders requires more than translating text: **localisation** also means displaying prices in the local currency, using local date/measurement formats, offering payment methods customers actually trust and commonly use locally (which vary significantly between countries), and complying with local consumer-protection and tax rules. A website that otherwise looks professional but displays only foreign currency or unfamiliar payment options can lose a customer's trust at the final checkout step, undoing all the earlier work of attracting them.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Bán hàng trực tuyến xuyên biên giới cần nhiều hơn dịch thuật – địa phương hoá (localisation) còn bao gồm hiển thị giá theo tiền tệ địa phương, định dạng ngày tháng/đơn vị đo địa phương, cung cấp phương thức thanh toán quen thuộc tại từng thị trường, và tuân thủ quy định bảo vệ người tiêu dùng/thuế địa phương. Một website chỉ hiển thị tiền tệ nước ngoài hoặc phương thức thanh toán xa lạ có thể làm mất lòng tin khách hàng ngay bước thanh toán cuối cùng.

4.10.3 International pricing considerations [HL only]

[HL] Pricing for export/international markets introduces complications beyond domestic pricing. **Exchange-rate risk** means a price fixed in the firm's home currency can become uncompetitive (or unprofitable) if the local currency moves unfavourably before payment is received; many exporters price in the local currency and hedge the resulting currency exposure instead. Additional **export costs** – import tariffs, shipping/logistics, and compliance with local regulation – must be absorbed into the price or margin. Within a single multinational group, **transfer pricing** (the price charged when one subsidiary sells to another subsidiary in a different country) can be used to legally shift where profit is recorded, though this is heavily scrutinised and regulated by tax authorities in most countries.

> **GIẢI THÍCH TIẾNG VIỆT**
> VN
> [HL] Định giá quốc tế phức tạp hơn định giá trong nước: rủi ro tỷ giá hối đoái (exchange-rate risk) khiến giá cố định theo đồng tiền trong nước có thể mất tính cạnh tranh nếu tỷ giá biến động bất lợi – nhiều nhà xuất khẩu định giá theo đồng tiền địa phương và phòng ngừa rủi ro tỷ giá riêng. Chi phí xuất khẩu bổ sung (thuế nhập khẩu, vận chuyển, tuân thủ quy định) phải được tính vào giá/margin. Giá chuyển nhượng nội bộ (transfer pricing) giữa các công ty con

có thể dùng để dịch chuyển nơi ghi nhận lợi nhuận, nhưng bị cơ quan thuế giám sát chặt chẽ.

Worked example: [HL] Standardisation vs adaptation – fast food

A US fast-food chain expanding into India adapts its menu to include a "Paneer Burger" (using paneer cheese instead of beef), out of respect for the large vegetarian population and religious restrictions on beef consumption, while keeping its core branding, restaurant layout and service process standardised worldwide.

This is **adaptation of product** combined with **standardisation of brand and process** – a classic **glocalisation** approach: the menu changes to respect local culture/religion, but the overall brand promise and operational system remain globally consistent.

Worked example: [HL] Standardisation vs adaptation – flat-pack furniture

A global flat-pack furniture retailer standardises its core product design, self-assembly concept and blue-and-yellow branding worldwide, capturing strong economies of scale in manufacturing and consistent global brand recognition. However, it **adapts its store format** by market: smaller, multi-storey city-centre stores with a delivery-focused shopping experience in dense Asian cities (where land is expensive and customers rarely own a car), versus large, out-of-town warehouse-format stores with an in-store café in North America and Europe (where car ownership and larger homes are the norm). It also adapts its specific product range to include smaller-footprint furniture suited to compact urban apartments in Asian markets.

This illustrates **standardisation of the core product and brand** (lower cost, consistent identity) alongside **adaptation of place (store format) and part of the product range** to fit genuinely different market conditions – again, a glocalisation strategy rather than a pure extreme of either standardisation or full adaptation.

4.10.4 Modes of entering international markets [HL only]

[HL] A firm choosing to sell abroad must also decide *how* to enter each market, trading off risk, control and cost.

Exporting – producing at home and selling into the foreign market; low cost and low risk, but limited local market knowledge/control and exposure to exchange-rate movements and trade tariffs.

Licensing/franchising – a local partner is permitted to produce/sell under the firm's brand and systems in exchange for a fee/royalty; fast, low-capital expansion, but weaker control over quality and brand consistency than owning operations directly.

Joint venture – a shared local partnership combining the firm's brand/expertise with a local partner's market knowledge and relationships; spreads risk and cost and eases entry into unfamiliar/regulated markets, but requires sharing profit and control, and can create conflict over strategic direction.

Foreign direct investment (wholly-owned subsidiary) – building or acquiring fully-owned operations in the foreign market; gives maximum control and profit retention, but requires the highest capital commitment and carries the greatest exposure to that market's political/economic risk.

Firms often move through these modes progressively as their confidence and knowledge of a market grow: starting with low-risk exporting, then licensing or a joint venture once local demand is proven, and finally full foreign direct investment once the market is well understood and large enough to justify the capital commitment.

Entry mode	Capital cost	Control	Risk	Speed
Exporting	Low	Low	Low	Fast
Licensing/franchising	Low	Moderate–low	Moderate	Fast
Joint venture	Moderate	Shared	Moderate	Moderate
Wholly-owned subsidiary (FDI)	High	Full	High	Slow

Table 4.5 – Comparing modes of entering an international market on cost, control, risk and speed.

GIẢI THÍCH TIẾNG VIỆT

VN

[HL] Các phương thức thâm nhập thị trường quốc tế: xuất khẩu (exporting – rủi ro/chi phí thấp nhưng ít am hiểu thị trường địa phương), cấp phép/nhượng quyền (licensing/franchising – mở rộng nhanh, chi phí thấp nhưng kiểm soát chất lượng yếu hơn), liên doanh (joint venture – chia sẻ rủi ro và tận dụng hiểu biết đối tác địa phương nhưng phải chia sẻ quyền kiểm soát/lợi nhuận), và đầu tư trực tiếp nước ngoài/công ty con sở hữu toàn phần (FDI/wholly-owned subsidiary – kiểm soát tối đa nhưng đòi hỏi vốn lớn nhất và rủi ro chính trị/kinh tế cao nhất). Doanh nghiệp thường đi từng bước từ rủi ro thấp (xuất khẩu) đến cam kết vốn cao (FDI) khi đã hiểu rõ thị trường hơn.

4.10.5 Marketing's link to operations and quality delivery

Marketing can create demand and set customer expectations, but only **operations** (Unit 5) can actually deliver the promised quality, consistently, at the promised time – a mismatch between what marketing promises and what operations can reliably deliver is one of the most common causes of customer dissatisfaction and brand damage. Coordinating marketing promises with the operations team's genuine capacity and quality-control systems *before* a campaign launches is therefore essential.

GIẢI THÍCH TIẾNG VIỆT

VN

Marketing có thể tạo ra nhu cầu và thiết lập kỳ vọng khách hàng, nhưng chỉ bộ phận vận hành (operations, Unit 5) mới có thể thực sự giao đúng chất lượng đã hứa, đúng thời hạn. Sự lệch pha giữa những gì marketing hứa hẹn và những gì vận hành thực sự có thể đáp ứng là một trong những nguyên nhân phổ biến nhất gây mất lòng tin và tổn hại thương hiệu – cần phối hợp chặt chẽ giữa hai bộ phận trước khi triển khai chiến dịch.

4.10.6 Pulling it together: the marketing plan

A formal **marketing plan** typically brings every element of this unit together into one document: a situation analysis (the marketing audit of Section 4.1.3, including STEEPLE/SWOT), clearly stated marketing objectives, the STP decisions that follow from market research, the specific marketing-mix (and, at HL, extended-mix) tactics chosen to implement that strategy, a budget and timeline for implementation, and the metrics (ROMI, NPS and conversion rate, among others) that will be used to control and evaluate performance against the original objectives once the plan is underway.

GIẢI THÍCH TIẾNG VIỆT

VN

Một kế hoạch marketing (marketing plan) chính thức thường tổng hợp mọi yếu tố của Unit này: phân tích tình huống (kiểm toán marketing, STEEPLE/SWOT), mục tiêu marketing rõ ràng, quyết định STP dựa trên nghiên cứu thị trường, chiến thuật marketing mix (và 7Ps mở rộng ở HL) cụ thể để hiện thực hoá chiến lược, ngân sách và tiến độ triển khai, cùng các chỉ số (ROMI, NPS, tỷ lệ chuyển đổi) dùng để kiểm soát và đánh giá hiệu quả so với mục tiêu ban đầu.

4.11 Practice problems

Bài tập luyện tập

A furniture start-up designs a highly innovative folding chair using a patented hinge mechanism it has developed in-house, then looks for a market to sell it into, rather than starting from customer research. This approach is best described as:

(A) Market-orientated
(B) Asset-led (product-orientated)
(C) Niche marketing
(D) Below-the-line promotion

Lời giải chi tiết

The firm started from its own technical **asset** (the patented hinge) rather than from market research into customer needs – this is **asset-led (product-orientated)** marketing. **(B)**.

Bài tập luyện tập

A budget airline states the marketing objective "increase ancillary revenue (baggage fees, seat selection) per passenger by 15% within 18 months." Explain the difference between this **objective** and the marketing **tactics** the airline might use to achieve it, giving **one** example of a tactic.

Lời giải chi tiết

The **objective** is the specific, quantified target itself (a 15% increase in ancillary revenue per passenger within 18 months). **Tactics** are the individual, short-term operational actions used to achieve that target – for example, redesigning the online booking flow to more prominently prompt customers to add extra baggage or priority boarding at checkout. The objective states *what* must be achieved; the tactic is one specific *action* implementing the broader strategy toward it, and the airline would likely use several such tactics together over the 18-month period rather than relying on just one.

Bài tập luyện tập

A cosmetics firm wants to know exactly why a new skincare product is not selling well among its target age group. Recommend **one** primary research method and **one** secondary research source it could use, and justify each choice.

Lời giải chi tiết

Primary: a **focus group** with target-age customers, allowing the firm to probe *why* customers are hesitant (packaging, price, scent, distrust of claims) through open discussion and follow-up questions – something a simple sales report cannot reveal.

Secondary: an existing **industry/trade-association report** on skincare market trends, which is cheap and quick to access and may reveal whether the whole category (not just this product) is struggling, helping the firm judge whether the problem is product-specific or market-wide.

Bài tập luyện tập

A phone-based survey company divides the national population into age bands based on known census proportions, then randomly selects respondents from within each age band so that the final sample's age structure matches the national population. This is:

(A) Convenience sampling
(B) Quota sampling
(C) Stratified sampling
(D) Random sampling

Lời giải chi tiết

Dividing the population into meaningful strata (age bands) *in proportion to their size* in the population, then randomly sampling within each stratum, is the definition of **stratified sampling. (C)**.

Bài tập luyện tập

[HL] Quarterly sales ($'000) of a ski-equipment retailer: Y1 Q1 $= 80$, Q2 $= 32$, Q3 $= 20$, Q4 $= 68$; Y2 Q1 $= 84$. Calculate the centred trend value and the seasonal variation for Y1 Q3.

Lời giải chi tiết

$$MT_1(\text{Y1 Q1–Q4}) = 80{+}32{+}20{+}68 = 200 \Rightarrow MA_1 = 50 \qquad MT_2(\text{Y2 Q2–Y2 Q1}) = 32{+}20{+}68{+}84 = 204 \Rightarrow$$

$$\text{Trend}_{\text{Y1 Q3}} = \frac{50+51}{2} = \boxed{50.5} \qquad \text{Seasonal variation} = 20 - 50.5 = \boxed{-30.5}$$

Quarter 3 (summer, off-season for ski equipment) runs $30,500 *below* the underlying trend, exactly as expected for a seasonal winter-sports retailer.

Bài tập luyện tập

[HL] A firm's centred moving-average trend values are rising steadily by $4,000 each quarter. The calculated trend for Q1 Year 3 is $212,000, and the average seasonal variation for Q1 (across several past years) is $-\$15{,}000$. Forecast the actual sales for Q1 Year 3.

Lời giải chi tiết

$$\text{Forecast} = \text{Trend} + \text{Average seasonal variation} = 212{,}000 + (-15{,}000) = \boxed{\$197{,}000}$$

Bài tập luyện tập

A car insurer prices its policies differently based on the driver's postcode/region. Which segmentation variable is this an example of?

(A) Behavioural
(B) Psychographic
(C) Geographic
(D) Demographic

Lời giải chi tiết

Postcode/region-based pricing segments customers by location – this is **geographic** segmentation. **(C)**.

Bài tập luyện tập

A small manufacturer of left-handed scissors and other left-handed tools serves a narrow, specific group of customers worldwide via a dedicated online store. Explain **one** advantage and **one** risk of this niche-marketing approach compared with a mass-market alternative.

Lời giải chi tiết

Advantage: the firm faces very little direct competition (large manufacturers largely ignore this small segment) and can charge a premium price to a loyal customer base with few alternatives, building strong brand loyalty within that specific group.

Risk: the segment itself is small and offers limited growth potential; the firm is also highly vulnerable if this narrow customer base's needs, size, or preferences change, since (unlike a mass-market firm) it has no broader customer base to fall back on.

Bài tập luyện tập

A national market for premium pet food is worth $60 million in annual sales. Market research estimates the "affluent urban pet owners" segment represents 15% of this market. Calculate the value of this segment.

Lời giải chi tiết

$$\text{Segment value} = 60{,}000{,}000 \times 0.15 = \boxed{\$9{,}000{,}000}$$

Bài tập luyện tập

A customer buys a smartphone primarily for "the ability to stay connected with friends and family" – this underlying benefit, rather than the physical device itself, corresponds to which level of the product?

(A) Augmented product
(B) Core product
(C) Actual product
(D) Positioning

Lời giải chi tiết

The fundamental benefit the customer is actually buying (staying connected) is the **core product**; the physical smartphone is the actual product, and features like warranty/after-sales support are the augmented product. **(B)**.

Bài tập luyện tập

Explain **one** way strong branding can support a premium pricing strategy, using an example of your choice.

Lời giải chi tiết

Strong branding builds trust and a perception of superior quality/status in customers' minds, so that customers become willing to pay significantly more for a branded product than for a near-identical unbranded (or less well-known) alternative – for example, a branded athletic shoe can be sold at several times the price of a functionally similar generic shoe, because the brand itself signals status, reliability and design credibility that customers value beyond the physical product.

Bài tập luyện tập

Annual sales ($'000) of a smart-speaker: Year 1 $= 40$, Year 2 $= 160$, Year 3 $= 300$, Year 4 $= 310$, Year 5 $= 180$. Calculate the year-on-year % change between each pair of years and identify the PLC stage for each year.

Lời giải chi tiết

$$\frac{160-40}{40} = +300\% \qquad \frac{300-160}{160} = +87.5\% \qquad \frac{310-300}{300} \approx +3.3\% \qquad \frac{180-310}{310} \approx -41.9\%$$

Year 1 ($40k): **Introduction**. **Year 2** (+300%) and **Year 3** (+87.5%): **Growth**. **Year 4** (+3.3%, essentially flat): **Maturity/Saturation** – growth has stalled near its peak. **Year 5** (–41.9%): **Decline** – a sharp fall from the Year 4 peak.

Bài tập luyện tập

A board-game manufacturer's flagship game is in the **saturation** stage of its life cycle. Recommend **two** extension strategies it could use, other than simply cutting price.

Lời giải chi tiết

(1) **New uses/variants** – release a themed expansion pack or special anniversary edition that gives existing owners (and new customers) a reason to buy again without replacing the whole product line.

(2) **New markets** – translate and launch the game in export markets it has not yet reached, tapping into a fresh customer base that has not yet experienced the maturity/saturation stage the domestic market has reached.

Bài tập luyện tập

A product has a low market share relative to its largest competitor, in a market that is growing very slowly. On the BCG matrix, this product is classified as a:

(A) Star
(B) Cash Cow
(C) Question Mark
(D) Dog

Lời giải chi tiết

Low relative market share $+$ low market growth $=$ the **Dog** quadrant – typically a candidate for harvesting or divestment. **(D)**.

Bài tập luyện tập

A beverage company's new "FreshFizz" soda has annual sales of \$9 million in a market growing at 18% per year; the market leader has annual sales of \$45 million. Calculate the relative market share and classify FreshFizz on the BCG matrix.

Lời giải chi tiết

$$\text{Relative market share} = \frac{9}{45} = \boxed{0.2}$$

A relative share of 0.2 is **low**, and market growth (18%) is **high** ⇒ FreshFizz is classified as a **Question Mark** – management must decide whether to invest heavily to build market share or divest.

Bài tập luyện tập

A product costs \$24 per unit to produce. The firm applies a 35% cost-plus mark-up. Calculate the selling price.

Lời giải chi tiết

$$\text{Selling price} = 24 \times 1.35 = \boxed{\$32.40}$$

Bài tập luyện tập

A retailer buys stock at \$50 per unit and sells it at \$70 per unit. Calculate (a) the mark-up on cost, and (b) the margin on selling price.

Lời giải chi tiết

(a) $\text{Mark-up on cost} = \dfrac{70-50}{50} \times 100 = \boxed{40\%}$ (b) $\text{Margin on selling price} = \dfrac{70-50}{70} \times 100 \approx \boxed{28.6\%}$

Bài tập luyện tập

A supermarket prices a carton of milk at \$2.99 instead of \$3.00. This is an example of:

(A) Price skimming
(B) Psychological pricing
(C) Price discrimination
(D) Competitive pricing

Lời giải chi tiết

Pricing just below a round number so the price appears meaningfully cheaper than it really is, is **psychological pricing**. **(B)**.

Bài tập luyện tập

Classify each of the following as above-the-line (ATL) or below-the-line (BTL) promotion: (a) a television advertisement during a national sports final; (b) a "buy one get one free" in-store coupon; (c) a company sponsoring a local charity fun run; (d) a billboard advert on a motorway.

Lời giải chi tiết

(a) **ATL** (paid mass-media advertising). (b) **BTL** (a sales promotion). (c) **BTL** (public relations/sponsorship). (d) **ATL** (paid mass-media outdoor advertising).

Bài tập luyện tập

A small, unknown drinks brand offers supermarkets an unusually large trade discount and extra in-store display fees to persuade them to stock and prominently feature its product. Identify whether this is a push or pull strategy, and explain why it suits this situation.

Lời giải chi tiết

This is a **push strategy** – the brand is incentivising the *intermediary* (the supermarket) directly, through trade discounts and display fees, to actively promote the product to shoppers. This suits an unknown brand because consumers do not yet have any existing demand to "pull" the product through the channel themselves; the brand must first win over retailers before it can build direct consumer awareness.

Bài tập luyện tập

A mature soft-drink brand facing declining sales has a $500,000 promotional budget for a relaunch. It allocates 60% to below-the-line loyalty and direct-marketing campaigns targeting existing customers, 25% to above-the-line brand-refresh advertising, and 15% to social media engagement content. Calculate each amount and explain why this allocation differs from a brand-new product launch (which typically favours broad awareness spending).

Lời giải chi tiết

BTL loyalty/direct $= 500{,}000 \times 0.60 = \$300{,}000$ ATL brand refresh $= 500{,}000 \times 0.25 = \$125{,}000$ Social $= 500$

Check: $300{,}000 + 125{,}000 + 75{,}000 = \$500{,}000$. Unlike a new launch (which needs broad **awareness** among people who have never heard of the brand), a declining *existing* brand already has an established, if shrinking, customer base – so it makes more sense to prioritise **retention** of those existing customers (BTL loyalty/direct marketing) over broad-reach awareness advertising, while still refreshing the brand image to slow further decline.

Bài tập luyện tập

A specialist manufacturer of large industrial turbines sells directly to a small number of electricity-generation companies worldwide, without using any wholesaler or retailer. Explain **one** reason a direct (zero-level) channel suits this product.

Lời giải chi tiết

Industrial turbines are highly technical, extremely high-value, low-volume products sold to a very small number of identifiable large customers – there is no need for wholesalers/retailers to reach a mass, dispersed consumer market, and the manufacturer likely needs to provide direct technical consultation, customisation and installation support that only a direct relationship with the end customer can properly deliver.

Bài tập luyện tập

A snack-food producer sells through many small, independent corner shops nationwide, reaching them via a wholesaler who buys in bulk and redistributes smaller quantities to each shop. This describes a:

(A) Direct (zero-level) channel
(B) One-level channel
(C) Two-level channel
(D) Push strategy only, not a channel

Lời giải chi tiết

Producer → Wholesaler → Retailer (corner shop) → Consumer involves **two** intermediaries (wholesaler and retailer) – a **two-level channel**. **(C)**.

Bài tập luyện tập

A luxury watchmaker sells its products through only one carefully selected boutique per major city, under a strict agreement that no other retailer may stock the brand in that city. Identify this distribution intensity strategy and explain **one** reason it suits a luxury brand.

Lời giải chi tiết

This is **exclusive distribution**. It suits a luxury brand because scarcity and a tightly controlled, prestigious retail environment are central to the brand's appeal and justify its premium price – widely available luxury goods (e.g. sold in discount outlets) would quickly undermine the exclusivity and status the brand depends on, even if wider availability might increase short-term sales volume.

Bài tập luyện tập

A local bakery with a small marketing budget wants more customers to find it when searching online for "fresh bread near me," without paying for ongoing advertising. Recommend whether it should prioritise SEO or paid search, and justify your answer.

Lời giải chi tiết

The bakery should prioritise **SEO** (search engine optimisation) – improving its website/listing content, local keywords, and user experience to rank highly in *organic* (unpaid) search results. This suits a business with a small, ongoing budget because, once achieved, organic ranking generates free, sustained traffic, unlike paid search, where visibility (and cost) stops the moment the business stops paying per click.

Bài tập luyện tập

Explain **one** genuine business benefit and **one** genuine risk of a retailer investing heavily in a CRM (customer relationship management) system.

Lời giải chi tiết

Benefit: the retailer can personalise offers and communication to individual customers based on their actual purchase history and preferences, increasing customer retention and lifetime value compared with generic, one-size-fits-all marketing.

Risk: building and maintaining an effective CRM system requires significant investment in data infrastructure and staff training, and the retailer takes on serious legal and ethical responsibility for keeping large amounts of sensitive customer data secure and used appropriately.

Bài tập luyện tập

A traditional high-street clothing retailer launches its own online store and mobile app, allowing customers to order online and either have items delivered or collect/return them in-store. Explain **one** way e-commerce has changed "place" for this retailer.

Lời giải chi tiết

E-commerce has extended the retailer's "place" beyond its physical store locations to a digital channel accessible anywhere, at any time, effectively removing the constraint of a customer needing to be physically near a store to buy. Combining this with in-store collection/returns creates an **omni-channel** experience, integrating physical and digital place into one seamless customer journey rather than treating them as two separate, competing channels.

Bài tập luyện tập

[HL] A budget domestic airline is planning to add a full-service, in-flight "premium lounge" experience aimed at business travellers. Apply **People** and **Process** (two elements of the extended marketing mix) to this new service.

Lời giải chi tiết

People – cabin crew assigned to the premium service would need specific training in a higher standard of hospitality and be empowered to personalise the experience (e.g. remembering a returning business traveller's preferences), since crew interaction *is* a core part of what a premium traveller is paying for.

Process – the airline would need a distinct, faster boarding process, a streamlined seat/meal-preference selection system, and clearly defined service-delivery steps and timing (e.g. drinks served within 10 minutes of take-off) so that the premium experience feels consistently smooth and reliable on every single flight, not just occasionally.

Bài tập luyện tập

[HL] A global coffee-shop chain keeps its logo, store ambience concept and core espresso-based menu the same in every country it enters, but adjusts specific drink sizes, sweetness levels, and adds region-specific food items (e.g. items reflecting local breakfast culture) in each market. Identify the overall international marketing strategy this represents, and justify your answer.

Lời giải chi tiết

This is **glocalisation** – a hybrid of standardisation and adaptation. The core brand identity, ambience and menu concept are **standardised** globally (protecting brand consistency and lowering costs), while specific tactical details – drink sizes, sweetness, and locally relevant food items – are **adapted** to fit local tastes and food culture in each market, improving local relevance without abandoning the globally recognisable brand.

Bài tập luyện tập

[HL] A domestic clothing manufacturer is considering its first move into a large but unfamiliar overseas market. It has little knowledge of local consumer tastes, regulation or retail relationships, and wants to limit its financial risk at this early stage. Recommend an appropriate market-entry mode and justify your choice.

Lời giải chi tiết

Given the firm's limited knowledge of the market and its desire to limit financial risk, **exporting** (or, if it wants a stronger local retail relationship without large capital outlay, **licensing/franchising** to a local partner) would be more appropriate than a joint venture or wholly-owned subsidiary at this early stage. Exporting requires minimal upfront capital investment and can be scaled back quickly if the market does not perform as hoped, whereas a joint venture or foreign direct investment would commit far more capital and management time to a market the firm does not yet understand well – these higher-commitment modes are better suited to a later stage, once initial exporting has proven genuine local demand.

Ôn tập nhanh – Chương 4: Market-orientated (nghiên cứu trước) khác asset-led (tài sản trước). Chiến lược (dài hạn) khác chiến thuật (ngắn hạn, cụ thể). STP: phân khúc → nhắm mục tiêu (undifferentiated/differentiated/concentrated) → định vị. PLC: 5 giai đoạn, nhận diện qua % tăng trưởng doanh số theo năm; danh mục sản phẩm cân bằng cần cả Cash Cow lẫn Star/Question Mark. BCG: thị phần *tương đối* (so với đối thủ lớn nhất) × tốc độ tăng trưởng thị trường. Mark-up on cost ≠ margin on selling price – luôn kiểm tra mẫu số. Kênh phân phối: trực tiếp/một cấp/hai cấp và cường độ (intensive/selective/exclusive), tuỳ loại sản phẩm–thị trường–chi phí. [HL] Trung bình trượt: căn giữa (centre) khi số kỳ là số chẵn; dự báo = xu hướng + biến động thời vụ. [HL] 7Ps thêm People, Process, Physical evidence cho dịch vụ (do 4 đặc điểm: vô hình, không tách rời, không đồng nhất, không lưu trữ được). [HL] Standardisation và adaptation thường kết hợp thành glocalisation; phương thức thâm nhập quốc tế đi từ xuất khẩu (rủi ro thấp) đến FDI (kiểm soát cao nhất).

Operations Management

Mục tiêu Unit: Phương pháp sản xuất (job/batch/flow) và hoạch định sản xuất; quản lý chất lượng (QC, QA, TQM) và chi phí chất lượng; quyết định vị trí (định lượng & định tính); chuỗi cung ứng, kiểm soát tồn kho (JIT/JIC), HL: mô hình EOQ; quyết định tự sản xuất hay mua ngoài (make-or-buy); nghiên cứu & phát triển (R&D) và sở hữu trí tuệ; sản xuất tinh gọn (lean) và HL: phân tích đường găng (Critical Path Analysis); và tính bền vững/đạo đức trong vận hành.

5.1 Production methods

Operations management is the functional area responsible for converting inputs (land, labour, capital, enterprise) into outputs (goods or services) as efficiently as possible, while meeting the quality standards customers expect. Every operations decision — how to produce, where to produce, how much stock to hold, how quickly to innovate — ultimately shapes cost, flexibility and quality, so it interacts constantly with the other three functional areas: finance must fund new machinery or stock, HR must recruit and train staff with the right skills for the chosen method, and marketing's promises to customers (speed, customisation, price) must be operationally deliverable.

5.1.1 Job, batch and flow production

Job production makes a single, customised product (or a very small number) to a specific customer's exact requirements, completed from start to finish — often by one worker or a small team — before moving on to the next job. Examples: a bespoke wedding dress, a hand-built super-yacht, a one-off architectural commission, a boutique advertising campaign.

Batch production makes a group (**batch**) of identical items together, before switching the production line over to a different batch of a different product or specification. Examples: a bakery producing a batch of 200 sourdough loaves, then switching the same ovens/mixers to a batch of croissants; a clothing factory producing a batch of size-M t-shirts in blue, then a batch in red.

Flow (mass) production runs a continuous, standardised production line producing large volumes of an identical product, typically with heavy automation and division of labour, where the product moves continuously between workstations. Examples: a soft-drink bottling line, a car assembly line, an oil refinery.

Each method involves a distinct trade-off between **flexibility** (the ability to change what or how much is produced) and **unit cost** (average cost per item). Job production is maximally flexible — every unit can be different — but has the highest unit cost, since there is little opportunity to spread fixed costs or exploit specialisation of labour/machinery. Flow production has the lowest unit cost at high volumes (through economies of scale and labour/machine specialisation) but is highly inflexible: switching the line to a different product is slow and expensive, and a single breakdown can halt the entire line, since every stage depends on the one before it. Batch production sits between the two extremes, offering a practical compromise for businesses that need some product variety without job production's very high unit cost — though it requires **set-up/changeover time** whenever the line switches from one batch to another, during which no saleable output is produced.

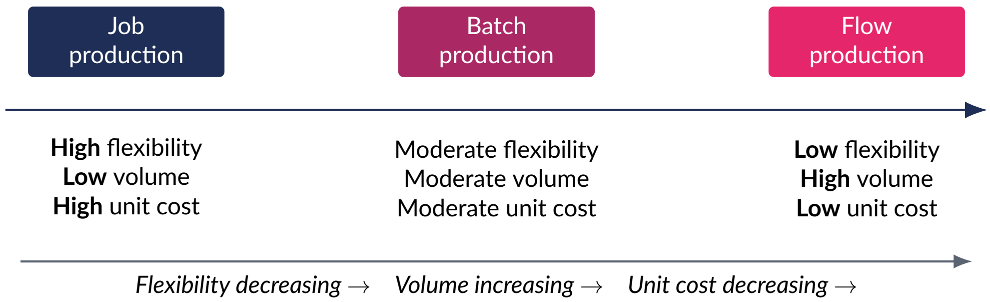

Figure 5.1 — The production-method spectrum: as businesses move from job to batch to flow production, flexibility falls while volume rises and unit cost typically falls.

Criterion	Job	Batch	Flow
Unit cost	Highest	Moderate	Lowest (at high volume)
Flexibility	Highest (fully customised)	Moderate (limited to batch specification)	Lowest (fixed standard product)
Capital investment	Low–moderate, often general-purpose tools	Moderate, some dedicated equipment	Very high, highly specialised machinery/automation
Worker skill required	High (versatile, often craft-based)	Moderate (operates several machine set-ups)	Often low–moderate per task (narrow, repetitive roles), though a few highly skilled technicians maintain the line
Typical motivation risk	Low (varied, whole-product ownership)	Moderate	Higher risk of monotony/boredom on narrow repetitive tasks (Herzberg, Unit 2)

Table 5.1 — Comparing job, batch and flow production across key operational criteria.

VN **GIẢI THÍCH TIẾNG VIỆT**

Job production (sản xuất đơn chiếc) làm ra sản phẩm tuỳ chỉnh theo yêu cầu riêng của khách hàng — linh hoạt cao nhất nhưng chi phí đơn vị cao nhất. Batch production (sản xuất theo lô) làm từng lô sản phẩm giống nhau rồi chuyển sang lô khác, cần thời gian chuyển đổi (set-up/changeover) giữa các lô — cân bằng giữa linh hoạt và chi phí. Flow/mass production (sản xuất hàng loạt liên tục) tạo khối lượng lớn sản phẩm tiêu chuẩn hoá với chi phí đơn vị thấp nhất nhưng gần như không linh hoạt — nếu dây chuyền hỏng, toàn bộ sản xuất có thể dừng lại vì mỗi công đoạn phụ thuộc vào công đoạn trước.

[HL] Mass customisation attempts to capture the best of both worlds: it uses the efficiency of flow production (a largely standardised, automated process) but allows a limited degree of customer choice through **modular design** — pre-manufactured standard components that can be combined, configured or finished in different ways late in the production process. For example, a computer manufacturer may let customers choose their own combination of processor, memory and storage from a limited standardised list, assembled to order only once the order is confirmed; a trainer/sneaker brand may let customers choose colours and materials for standard shoe components online before a largely automated line assembles the specific combination. This keeps unit costs close to flow-production levels (since the underlying components and process are still highly standardised) while offering meaningfully more customer choice than a single, fixed, one-size-fits-all product —

though the number of configurable options must stay limited, or the business loses the cost/speed benefits of flow production entirely and effectively reverts to batch production.

> **[HL]** The key enabler of mass customisation is that customer choice is deliberately restricted to a small set of **pre-designed modules** late in the process, rather than allowing genuinely unlimited customisation throughout. Compared with pure flow production, mass customisation typically has a slightly higher unit cost (some flexibility/configuration capability must be built into the line) and slightly more complex production scheduling (since not every unit coming off the line is identical), but it can command a price premium and build stronger customer loyalty by letting customers feel their product is ”their own” — a trade-off many consumer-facing manufacturers (computers, footwear, cars) have judged well worth making.

> **(!) Lỗi thường gặp:** Do not describe batch production as simply ”a smaller version of flow production.” The defining feature of batch production is that the *same* equipment is used sequentially for *different* batches (requiring changeover/set-up time between batches), whereas flow production dedicates equipment continuously to a single, standardised product line and does not incur repeated changeover time.

The product–process relationship

The right production method depends heavily on the **volume** a business expects to sell and the **variety** customers demand. Very low volume with very high variety (many different, individually specified products) points towards job production; very high volume with very low variety (one standardised product sold repeatedly) points towards flow production; the middle ground of moderate volume and moderate variety points towards batch production. A business that mismatches its production method to its actual volume/variety needs — for example, trying to run job production at a volume that really calls for flow production — will typically carry a much higher unit cost than a better-matched competitor, even if its product quality is identical.

Worked example: Choosing a production method

A workshop receives three separate enquiries: (1) a one-off request to build a fully custom racing bicycle frame to an individual rider's exact body measurements; (2) an order for 400 identical frames in a single specification for a local cycling club; (3) an ongoing contract to supply 25,000 identical frames per year to a national retail chain.

(1) is best suited to **job production** — a single, highly customised item where flexibility to match the individual rider matters far more than unit cost.

(2) is best suited to **batch production** — a single, moderate-sized group of identical items that does not justify dedicated, continuously-running flow equipment, but benefits from producing them together rather than one at a time.

(3) is best suited to **flow production** — a large, ongoing, standardised volume where the workshop can justify investing in dedicated, automated equipment to drive unit cost down as low as possible.

5.1.2 Capacity utilisation and production planning

Capacity is the maximum output a business can produce in a given period with its current resources (machinery, staff, premises, shift pattern). **Capacity utilisation** measures how much of that maximum capacity is actually being used:

$$\text{Capacity utilisation} = \frac{\text{Actual output}}{\text{Maximum possible output}} \times 100$$

Operating close to 100% capacity utilisation spreads fixed costs over the maximum possible number of units (lowering average fixed cost per unit), but leaves no spare capacity to accept a sudden large order, cope with breakdowns, or perform routine maintenance — and can place unsustainable strain on machinery and staff, raising the risk of breakdowns, defects and staff burnout over time. Operating with substantial **spare capacity** (low utilisation) gives flexibility to respond to unexpected demand, but means fixed costs are spread over fewer units, raising average fixed cost per unit and potentially signalling inefficient use of resources to investors and lenders.

(!) Lỗi thường gặp: **Capacity utilisation** is not the same thing as **efficiency**. A factory can run at 100% capacity utilisation while still being highly *inefficient* — for example, producing at its maximum possible volume, but with a high defect rate, excessive waste (muda) and outdated, energy-hungry machinery. Utilisation only measures *how much* of the maximum possible output is being used; it says nothing about the quality of that output or how well resources (materials, labour, energy) are being converted into saleable units. A smaller, leaner competitor running at a lower utilisation rate but with far less waste can easily have a *lower* unit cost overall.

Worked example: Capacity utilisation

A furniture factory has a maximum monthly capacity of 9,000 units. In a typical month it actually produces 7,200 units.

$$\text{Capacity utilisation} = \frac{7{,}200}{9{,}000} \times 100 = \boxed{80\%}$$

The factory has 20% spare capacity (1,800 units/month) — enough to accept a moderately large new order without investing in additional machinery, but management should still investigate why a fifth of capacity sits idle (e.g. under-performing sales/marketing, or capacity added in anticipation of growth that has not yet materialised, or simply seasonal quiet months).

Worked example: Comparing capacity utilisation across two sites

A manufacturer operates two sister factories producing the same component. **Factory X** has a maximum capacity of 15,000 units/month and actually produces 10,500 units/month. **Factory Y** has a maximum capacity of 8,000 units/month and actually produces 7,600 units/month.

$$\text{Utilisation}_X = \frac{10{,}500}{15{,}000} \times 100 = \boxed{70\%} \qquad \text{Utilisation}_Y = \frac{7{,}600}{8{,}000} \times 100 = \boxed{95\%}$$

Factory Y is running much closer to full capacity: it is spreading its fixed costs very efficiently, but has almost no spare capacity (only 400 units/month) to absorb a surge in orders, machine downtime, or scheduled maintenance without missing deadlines. Factory X has substantial spare capacity (4,500 units/month, 30%) that could absorb a new contract quickly, but is not using its fixed assets as efficiently, so its average fixed cost per unit is higher than Factory Y's. If a large new order arrives, management should route it to **Factory X** — Factory Y has too little headroom to accept it without risking late delivery or excessive machine/staff strain. Over time, management should also ask *why* the two sites diverge so much: is Factory X simply newer/larger than current demand justifies, or is Factory Y at genuine risk of under-capacity as demand keeps growing, in which case it may need to expand?

VN GIẢI THÍCH TIẾNG VIỆT

Công suất sử dụng (capacity utilisation) = sản lượng thực tế ÷ sản lượng tối đa × 100. Vận hành gần 100% giúp phân bổ chi phí cố định hiệu quả nhất nhưng không còn dư địa để nhận đơn hàng đột xuất hay bảo trì máy móc, đồng thời tăng nguy cơ hỏng hóc và nhân viên kiệt sức; công suất dư thừa (spare capacity) lớn tạo linh hoạt nhưng làm tăng chi phí cố định bình quân trên mỗi đơn vị.

Production planning matches expected capacity against forecast demand over a future period (e.g. a month, quarter or season). If forecast demand exceeds available capacity, a business must choose between: expanding capacity (new machinery/staff/shifts, or outsourcing/subcontracting the excess), **rationing** supply to existing customers, or raising price to reduce quantity demanded to a manageable level. If forecast demand falls short of capacity, the business faces the spare-capacity problems above, and might respond with a promotional push, exporting to new markets, or (if the shortfall looks permanent) **rationalising** — reducing capacity by closing an under-used site or shift.

Good production planning explicitly accounts for **seasonality** (predictable peaks and troughs in demand across the year) and **lead times** for scaling capacity up or down — since hiring and training new staff, or installing new machinery, both take real time, a shortfall cannot simply be solved on the day it appears. A plan based only on "this month's demand," ignoring known future peaks and troughs, risks being caught with too little capacity in the busy season and too much in the quiet season.

Worked example: Matching capacity to forecast demand

A toy manufacturer has a steady maximum capacity of 8,000 units/month. It forecasts the following monthly demand across four months leading up to a holiday season:

Month	1	2	3	4
Forecast demand (units)	5,000	7,000	12,000	6,000
Maximum capacity (units)	8,000	8,000	8,000	8,000
Surplus / (shortfall)	3,000	1,000	(4,000)	2,000

Table 5.2 — Forecast demand versus maximum capacity over four months.

Capacity is more than sufficient in months 1 and 2 (spare capacity of 3,000 and 1,000 units respectively), but falls $\boxed{4{,}000 \text{ units short}}$ of forecast demand in month 3, before demand eases back below capacity in month 4.

Recommendation: the manufacturer should plan ahead rather than wait for month 3's shortfall to appear — for example, using the spare capacity in months 1–2 to build up finished-goods stock in advance (a deliberate, planned use of JIC-style buffer stock covering some or all of month 3's 4,000-unit gap), authorising overtime or temporary staff specifically for month 3, or subcontracting the excess 4,000 units to another manufacturer for that month only.

5.2 Quality management

Quality means consistently meeting the standard a customer expects — whether that standard is "luxury and flawless" or simply "reliable and good value" depends entirely on what has been promised, not on some universal absolute measure. Poor quality damages a business's reputation, increases costs (returns, rework, warranty claims) and can trigger legal liability; strong, consistent quality builds customer loyalty and can justify a premium price, making quality management a source of competitive advantage rather than merely a defensive cost.

5.2.1 Quality control, quality assurance and TQM

Quality control (QC) inspects output *after* it has been produced, typically by a separate quality-control department or inspector, catching defective items *before* they reach the customer. It is relatively cheap to introduce and requires little cultural change, but it is reactive: defects are only caught at the end of the line, after resources have already been wasted producing them, and responsibility for quality is seen as belonging to the inspectors rather than to every worker.

Quality assurance (QA) builds quality checks into *every stage* of the production process, so that each worker is responsible for checking their own work (and that of the stage immediately before them) before passing output to the next stage. This prevents defects from being built into the product in the first place, rather than merely catching them at the end — reducing wasted material/labour on units that will fail final inspection anyway — though it requires more training and a cultural shift so that every employee takes ownership of quality, not just a specialist inspection team.

Total quality management (TQM) extends quality assurance into a company-wide culture and philosophy in which *every* employee, at every level, is continuously responsible for quality, with the explicit long-term goal of "**zero defects**." TQM relies on **kaizen** (continuous, incremental improvement contributed by all staff, not just management or engineers) and **quality circles** (small, regular voluntary groups of employees who meet to identify and solve quality problems in their own area of work), and typically requires strong, sustained leadership commitment, significant training investment, and a genuinely open culture where frontline staff feel safe raising problems rather than hiding them.

Worked example: Contrasting QC, QA and TQM in one firm

A mobile-phone assembler currently only checks finished handsets at the very end of the line; roughly 6% fail final inspection and must be scrapped or reworked, wasting the labour and components already used on them.

Current approach: this is pure **quality control (QC)** — defects are caught only at the final stage, after the wasted resources have already been committed.

Moving to QA: the firm could introduce a check at the end of *each* assembly stage (e.g. after the circuit board is fitted, after the screen is fitted), so a defective circuit board is caught and fixed *before* a screen and casing are wastefully added to it — reducing the resources wasted on units that were already doomed to fail.

Moving to TQM: beyond adding inspection stages, the firm trains every assembly-line worker to take ownership of the quality of their own station's work, introduces weekly quality circles where line workers themselves propose small process changes (kaizen), publishes defect-rate data transparently across the factory floor so every team can see its own performance, and sets a public target of zero defects within two years — shifting quality from "the inspectors' job" to "everyone's job."

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QC (quality control) kiểm tra chất lượng ở cuối quy trình — chỉ phát hiện lỗi sau khi đã tốn nguyên liệu/công sức. QA (quality assurance) xây dựng kiểm tra chất lượng vào từng công đoạn sản xuất, ngăn lỗi xảy ra ngay từ đầu. TQM (total quality management) là văn hoá toàn công ty, mọi nhân viên đều chịu trách nhiệm về chất lượng, hướng tới "không lỗi" (zero defects) thông qua kaizen (cải tiến liên tục) và quality circles (nhóm chất lượng tự nguyện).

Many businesses also seek external **quality standards/certification** — such as an **ISO 9000**-series certificate for quality management systems — awarded by an independent body after auditing a firm's processes. Certification signals credible, externally-verified quality to customers and business partners (particularly important when bidding for large contracts or entering an export market where the buyer cannot easily inspect the factory directly), though gaining and maintaining it involves real cost (documentation, audits, process changes) and does not, by itself, guarantee that every individual unit produced is defect-free. **Benchmarking** — systematically comparing a firm's own quality (and cost, speed) performance against the best-performing firms in its own industry or another industry entirely — is a further tool for identifying realistic, evidence-based targets for improvement, rather than setting quality goals arbitrarily. For example, a factory with a defect rate of 4% that discovers the best firm in its industry consistently achieves 1.2% can use that figure as an evidence-based improvement target, rather than picking an arbitrary number — and can visit or study that firm's specific processes (a formal technique often called **best-practice benchmarking**) to identify concrete, transferable changes, rather than simply trying to "try harder" with its existing methods.

> Moving from QC towards TQM is as much a **cultural** change as a technical one. Under a pure QC mindset, quality is "someone else's job" (the inspection team), defects are discovered only at the end of the process, and staff have little incentive to report problems they notice in their own area, since doing so is not seen as part of their role. Under a genuine TQM culture, every worker is expected and empowered to stop a process, flag a defect, or suggest an improvement the moment they notice it — which requires management to actively welcome bad news early (a defect reported immediately is far cheaper to fix than one discovered at final inspection) rather than punishing the employee who reports it. A **quality circle** typically meets briefly and regularly (e.g. 30 minutes, weekly), reviews recent quality data from its own area, and proposes small, practical changes — the aim is many small, continuous kaizen improvements over time, not one dramatic, one-off fix.

5.2.2 The cost of quality

Managing quality involves an explicit trade-off, often analysed through the **cost of quality** framework, which splits quality-related costs into four categories:

> **Prevention costs** — spent *before* production to stop defects occurring at all: staff training, preventive maintenance of machinery, better supplier selection, quality-focused product design, certification programmes such as ISO 9000.
>
> **Appraisal costs** — spent checking/testing output to detect defects: inspection, testing equipment, sample audits, quality-control staff wages.
>
> **Internal failure costs** — incurred when a defect is caught *before* the product reaches the customer: scrapped materials, rework/repair labour, delays to the production schedule.
>
> **External failure costs** — incurred when a defect reaches the customer: warranty replacement/repair, product recalls, lost future sales from reputational damage, and potential legal liability — typically the *most* expensive category per defective unit, because it adds shipping, goodwill and reputational costs on top of the unit's original production cost.

The central insight of the framework is that spending more on **prevention** and **appraisal** (proactive, controllable spending) usually reduces **internal and external failure** costs (reactive, often larger and less predictable) by considerably more than the extra prevention/appraisal spend — meaning that, up to a point, "quality is free" (the savings in failure costs exceed the cost of preventing/detecting defects in the first place). Most operations managers therefore aim not to minimise prevention/appraisal spending, but to find the combination of the four cost categories that minimises the *total* cost of quality overall.

A widely cited heuristic, sometimes called the **1:10:100 rule**, captures why catching defects earlier is so valuable: if the cost of preventing a defect at the design/prevention stage is roughly $1, the cost of catching and fixing the same underlying problem during production/inspection (internal failure) is roughly $10, and the cost of the problem reaching the customer (external failure) is roughly $100 — each stage a defect travels through before being caught multiplies its eventual cost by roughly a further factor of ten. The exact multiplier varies enormously by industry, but the underlying logic (defects become dramatically more expensive to fix the later they are caught) is a powerful, memorable justification for investing in prevention and quality assurance as early in the process as possible, rather than relying on inspection at the very end.

Worked example: Calculating the cost of poor quality

A factory produces 50,000 units per month with a defect rate of 4%. Every defective unit caught internally costs $25 in wasted material and rework labour. Of the defective units produced, 300 are *not* caught by internal inspection and reach customers, each triggering a warranty replacement (including shipping and administration) costing $60.

Number of defective units $= 50{,}000 \times 0.04 = 2{,}000$ units.

Internal failure cost $= 2{,}000 \times \$25 = \boxed{\$50{,}000}$ per month.

External failure cost $= 300 \times \$60 = \boxed{\$18{,}000}$ per month.

Total monthly cost of poor quality $= 50{,}000 + 18{,}000 = \boxed{\$68{,}000}$.

This $68,000/month is a strong financial case for investing more in **prevention** (e.g. improved machine calibration, additional operator training) and **appraisal** (more thorough in-process inspection to catch more of the 2,000 defects before they leave the factory) — even a prevention programme costing $15,000/month would be worthwhile if it cut the defect rate meaningfully, since it is being compared against a $68,000/month cost of poor quality, not against zero.

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Chi phí chất lượng gồm bốn loại: chi phí phòng ngừa (prevention — đào tạo, bảo trì), chi phí thẩm định (appraisal — kiểm tra, thử nghiệm), chi phí lỗi nội bộ (internal failure — phát hiện trước khi giao hàng) và chi phí lỗi bên ngoài (external failure — sau khi khách hàng đã nhận sản phẩm, thường tốn kém nhất vì cộng thêm chi phí vận chuyển, uy tín, pháp lý). Đầu tư nhiều hơn vào phòng ngừa/thẩm định thường giảm chi phí lỗi nhiều hơn số tiền bỏ ra — nên "chất lượng tốt gần như miễn phí" nếu đầu tư đúng cách. Chứng chỉ ISO 9000 là một tiêu chuẩn quốc tế phổ biến chứng minh hệ thống quản lý chất lượng đạt chuẩn.

Worked example: The cost of quality over time

Following on from the factory above ($68,000/month cost of poor quality), management invests progressively more in prevention and appraisal over the next two years:

	Year 1	Year 2	Year 3
Prevention + appraisal spending/month	$20,000	$32,000	$38,000
Internal + external failure cost/month	$68,000	$40,000	$24,000
Total cost of quality/month	**$88,000**	**$72,000**	**$62,000**

Table 5.7 — Total cost of quality falling as prevention/appraisal spending rises.

From Year 1 to Year 2, prevention/appraisal spending rose by $12,000/month, but failure cost fell by $28,000/month — a net saving of $\boxed{\$16{,}000\text{/month}}$. From Year 2 to Year

3, prevention/appraisal spending rose by a further $6,000/month, and failure cost fell by $16,000/month — a net saving of $\boxed{\$10{,}000\text{/month}}$.

Total cost of quality keeps falling as prevention/appraisal investment increases, confirming the "quality is free" principle in this case — but notice the net *saving* is itself shrinking each year ($16,000, then $10,000), a sign of **diminishing returns**: at some point, the cost of further prevention/appraisal spending will exceed the failure-cost savings it generates, and management should stop increasing spending beyond that point rather than assuming ever more prevention spending is automatically worthwhile.

(!) Lỗi thường gặp: Do not assume the "cheapest" quality strategy is to spend nothing on prevention/appraisal. Examiners expect you to recognise that under-investing in prevention and appraisal typically causes internal and (especially) external failure costs to rise by *more* than the amount saved — so the total cost of quality is often minimised by a well-judged *combination* of proactive and reactive spending, not by cutting quality-related costs to zero.

5.3 Location decisions

A business's choice of **location** (where to site a new factory, office, warehouse or store) affects its costs, access to markets and labour, and long-term competitiveness — and, once built, is very expensive to reverse. Location decisions are typically assessed using a mix of **quantitative** and **qualitative** factors.

Quantitative factors can be measured numerically and compared directly, e.g.: labour costs, rent/land costs, transport/logistics costs, local taxation rates, and government grants/subsidies available.

Qualitative factors cannot easily be reduced to a single number but still materially affect success, e.g.: the skill level and reliability of the local workforce, quality of life for staff who will relocate, quality of local infrastructure (roads, ports, internet connectivity), political/economic stability, proximity to suppliers and customers, and the local community's likely reaction to the business (e.g. planning objections).

The factors that matter most in practice depend heavily on the **type of business**. A **retailer** typically prioritises **footfall** — the volume of passing pedestrian or vehicle traffic near a potential store site — since visibility and convenience directly drive walk-in sales; a prime high-footfall location commands a much higher rent, so the retailer is effectively trading higher fixed cost for higher expected revenue. A **manufacturer** typically prioritises proximity to raw materials/component suppliers, transport links (ports, motorways, rail freight) for moving bulky inputs and outputs cost-effectively, and the cost/availability of suitable industrial land. A **service business** (e.g. a call centre or software office) that does not need customers to visit in person can prioritise the cost and skill level of the local labour pool far more heavily than physical footfall, which is one reason so many service functions are offshored to countries with strong relevant skills at a lower wage cost.

Because qualitative factors resist direct comparison, many businesses use a **weighted factor rating** to combine both types of factor into a single, comparable score: each location factor is given a **weight** reflecting its relative importance to the decision (the weights must sum to 1, or 100%), each candidate location is scored (e.g. out of 10) on each factor, and the weighted scores are summed to produce a total score per location.

Worked example: Weighted factor rating for a new factory

A manufacturer is choosing between two candidate countries, A and B, for a new factory, scoring each out of 10 on five weighted factors:

Factor	Weight	Score A	Weighted A	Score B	Weighted B
Labour cost	0.30	7	2.10	9	2.70
Market access	0.25	8	2.00	5	1.25
Infrastructure	0.20	6	1.20	8	1.60
Government incentives	0.15	5	0.75	7	1.05
Quality of life	0.10	9	0.90	6	0.60
Total	**1.00**		**6.95**		**7.20**

Table 5.3 — Weighted factor rating comparing candidate locations A and B.

Location A's total: $2.10 + 2.00 + 1.20 + 0.75 + 0.90 = \boxed{6.95}$. Location B's total: $2.70 + 1.25 + 1.60 + 1.05 + 0.60 = \boxed{7.20}$.

Recommendation: Location **B** scores higher overall (7.20 vs 6.95) and should be recommended, largely because of its much stronger score on **labour cost**, the most heavily weighted factor (0.30) — even though Location A scores better on market access and quality of life, these carry less weight in this firm's decision.

Worked example: Weighted factor rating for a distribution warehouse

A logistics company is choosing between two cities, P and Q, for a new regional distribution warehouse, using a different weighting scheme reflecting the priorities of a distribution (rather than manufacturing) decision:

Factor	Weight	Score P	Weighted P	Score Q	Weighted Q
Proximity to customers	0.35	9	3.15	6	2.10
Land/rent cost	0.25	4	1.00	8	2.00
Skilled logistics labour	0.20	7	1.40	8	1.60
Transport links (highway/port)	0.20	8	1.60	6	1.20
Total	**1.00**		**7.15**		**6.90**

Table 5.4 — Weighted factor rating comparing candidate cities P and Q for a distribution warehouse.

City P's total: $3.15+1.00+1.40+1.60 = \boxed{7.15}$. City Q's total: $2.10+2.00+1.60+1.20 = \boxed{6.90}$.

Recommendation: City **P** scores higher overall (7.15 vs 6.90) despite its significantly higher land/rent cost, because **proximity to customers** — the most heavily weighted factor in a distribution business, where faster, cheaper "last-mile" delivery is a key competitive advantage — and stronger transport links outweigh Q's cost advantage.

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Yếu tố định lượng (quantitative) đo được bằng số (chi phí lao động, tiền thuê, vận chuyển); yếu tố định tính (qualitative) khó lượng hoá nhưng vẫn quan trọng (kỹ năng lao động, chất lượng sống, hạ tầng, ổn định chính trị). Weighted factor rating gán trọng số (tổng $= 1$ hoặc 100%) cho từng yếu tố, chấm điểm từng địa điểm rồi nhân với trọng số và cộng lại — địa điểm có tổng điểm cao nhất được khuyến nghị, dù có thể không dẫn đầu ở từng yếu tố riêng lẻ.

(!) Lỗi thường gặp: Weights must always sum to 1 (or 100%) — if they do not, the comparison is invalid. Also remember that the *weight* reflects relative **importance** to this specific decision, while the *score* reflects how well a location performs on that factor; a location can score highly on an unimportant (low-weight) factor and still lose overall, exactly as Location A does above despite winning on two individual factors.

Location choices can also be compared using a purely quantitative **cost (break-even) comparison**: total cost at a site = fixed cost + (variable cost per unit × output). If one candidate site has higher fixed costs but lower variable cost per unit (e.g. a more automated, capital-intensive site), and another has lower fixed costs but higher variable cost per unit (e.g. a simpler, more labour-intensive site), there is a break-even output level at which the two sites cost the same — below it the low-fixed-cost site is cheaper, above it the low-variable-cost site is cheaper. This is mathematically identical in structure to the make-or-buy break-even analysis in Section 5.4, and to the break-even chart met in Finance (Unit 3): only the two variables being compared (location vs. supplier, in this case) differ.

Worked example: Comparing total cost between two candidate sites

A firm is choosing between two candidate factory sites. **Site 1** (highly automated) has annual fixed costs of $500,000 and a variable cost of $8/unit. **Site 2** (more labour-intensive, less automated) has lower annual fixed costs of $300,000 but a higher variable cost of $14/unit.

Setting total cost equal to find the break-even output Q:

$$500{,}000 + 8Q = 300{,}000 + 14Q \quad \Rightarrow \quad 200{,}000 = 6Q \quad \Rightarrow \quad Q = \boxed{33{,}333 \text{ units/year (approx.)}}$$

Below approximately 33,333 units/year, **Site 2** is cheaper overall (its lower fixed cost has not yet been outweighed by its higher variable cost); above that output, **Site 1** is cheaper overall, since its lower variable cost per unit increasingly outweighs its higher fixed cost as volume grows. A firm expecting to produce well above 33,333 units/year should site production at Site 1, provided it is confident in sustaining that higher volume — since Site 1's much larger fixed cost becomes a heavier burden if demand ever falls short of expectations.

[HL] Location decisions for **multinational companies** add further complexity: exchange-rate risk (costs/revenues in a foreign currency), trade barriers/tariffs affecting the cost of importing components or exporting output, differences in employment law and taxation, and the risk of political instability disrupting a long-term investment. **Offshoring** (relocating a function to another country, whether kept in-house or outsourced there) is a specific location strategy usually pursued for resource-seeking or efficiency-seeking reasons (see Unit 1), and carries the same reputational and quality-control risks as any outsourcing decision, magnified by geographic and cultural distance.

[HL] Illustrating exchange-rate risk: a firm agrees to pay a foreign factory 1,000,000 units of the local currency per month for production, budgeted at an exchange rate of 20,000 local-currency units per $1 — a monthly cost of $1{,}000{,}000/20{,}000 = \$50$. If the local currency then **strengthens** to 16,000 units per $1 (i.e. it now takes more local currency to buy one dollar's worth...or rather, each dollar now buys *less* local currency), the same 1,000,000 local-currency cost becomes $1{,}000{,}000/16{,}000 \approx \$62.50$ — a 25% increase in dollar cost with *no change at all* in local production efficiency or the contract terms. This is exactly why an MNC weighing an offshore location must budget for realistic exchange-rate movement, not just today's exchange rate, and may use financial hedging instruments to reduce this risk (a topic explored further in Finance, Unit 3).

A location decision is rarely permanent: businesses periodically **relocate** (move an existing operation somewhere better suited to current needs) or **close** a site entirely (if it is no longer viable, or a merger/acquisition leaves the combined business with duplicate capacity). Both decisions typically involve significant **redundancy costs** for staff who do not transfer (Unit 2), the write-off or sale of existing premises/equipment at what may be a financial loss, and disruption to existing supplier and customer relationships built up at the old site — costs that must be weighed carefully against the ongoing savings or strategic benefit the new location is expected to provide, using the same quantitative (weighted factor rating, cost break-even) and qualitative tools introduced above.

5.4 Supply chain management and inventory control

A **supply chain** is the full sequence of organisations, resources and activities involved in moving a product from raw material to final customer: raw materials → suppliers/component manufacturers → production → distribution/logistics → retailer/customer. Effective **supply chain management** coordinates this sequence to minimise cost and delay while maintaining reliability and quality at every stage — a failure or delay at any single link (e.g. a key supplier going out of business, a port closure) can halt production further down the chain, however efficient the business's own factory is.

A key early decision is **sourcing strategy**: **single sourcing** (using one supplier for a given input) can secure better prices and a closer working relationship, but concentrates risk entirely on that one supplier's reliability; **multiple sourcing** (using several suppliers for the same input) spreads that risk and creates competitive pressure on price/quality between suppliers, at the cost of more complex supplier management and less individual buying power with any one supplier.

Worked example: Single sourcing versus multiple sourcing

An electronics manufacturer currently buys a critical microchip from a single overseas supplier, securing a 12% volume discount and a very close, collaborative relationship on quality standards. A fire temporarily shuts down that supplier's factory, halting the manufacturer's own production for six weeks.

This is the central risk of **single sourcing**: concentrating all purchasing on one supplier maximised the price discount and relationship quality in normal times, but left the manufacturer with *no* alternative source when that one supplier was disrupted, directly halting its own production.

Recommendation: qualify a second, geographically separate supplier for the same component (moving to **multiple sourcing**), even if this means giving up some of the volume discount and requiring more complex ongoing supplier management — the resulting resilience against a single point of failure is likely to be worth the higher unit cost, especially for a component this critical to production continuing at all.

5.4.1 Inventory (stock) control: JIT vs JIC

Just-in-time (JIT) production holds minimal (ideally zero) inventory of raw materials/components, which are delivered by suppliers *exactly* when needed for production, and finished goods are produced only in response to actual customer orders rather than for stock. *Advantages:* very low storage/warehousing costs, minimal risk of holding obsolete or wasted stock, and it forces a business to work closely with reliable suppliers and maintain very high quality (since there is no buffer stock to fall back on if a batch is defective). *Disadvantages:* extremely vulnerable to any supply chain disruption (a single late delivery can halt the entire production line), requires very reliable, often local suppliers, and cannot immediately respond to an unexpected surge in demand.

Just-in-case (JIC) holds a deliberate **buffer stock** of raw materials/components (and often finished goods) as insurance against uncertain demand or unreliable supply. *Advantages:* protects production against supplier delays and demand spikes, and allows the business to buy in bulk when prices are favourable. *Disadvantages:* ties up working capital in stock that is not generating revenue, incurs storage/warehousing/insurance costs, and risks stock becoming obsolete, damaged or unsellable (especially for perishable or fast-fashion goods).

A widely cited real-world illustration of JIT's fragility is the global shortage of semiconductor microchips that hit car manufacturers hard in the early 2020s: many car makers had spent years optimising towards extremely lean, JIT-style component inventories, which minimised holding costs during normal times but left almost no buffer when a sudden, global supply shock (a mix of a spike in demand for consumer electronics and disrupted chip-factory output) hit every manufacturer simultaneously. Factories with even a modest strategic buffer stock of this one critical component were able to keep production running far longer than those with a purely just-in-time policy — a case study in why some businesses now deliberately keep a small JIC-style buffer for their *most critical, hardest-to-substitute* inputs, even while running JIT for lower-risk, easily-available components.

Stock levels are often managed and visualised using a **stock control chart**, which tracks stock quantity over time and identifies the **reorder level** — the stock level at which a new order must be placed to avoid running out before the next delivery arrives:

$$\text{Reorder level} = (\text{Usage rate} \times \text{Lead time}) + \text{Buffer stock}$$

where **lead time** is the delay between placing an order and receiving the delivery, and **buffer stock** is the minimum safety cushion the business wants to keep in reserve even under normal conditions. A related, useful figure is the **average stock level** held over time, approximately: buffer stock + $\frac{1}{2}$(order quantity) — since stock cycles between a maximum (just after delivery) and the buffer stock level (just before the next delivery arrives). This average stock level is precisely what drives a business's **holding cost**, linking stock control directly to the EOQ model in the next subsection.

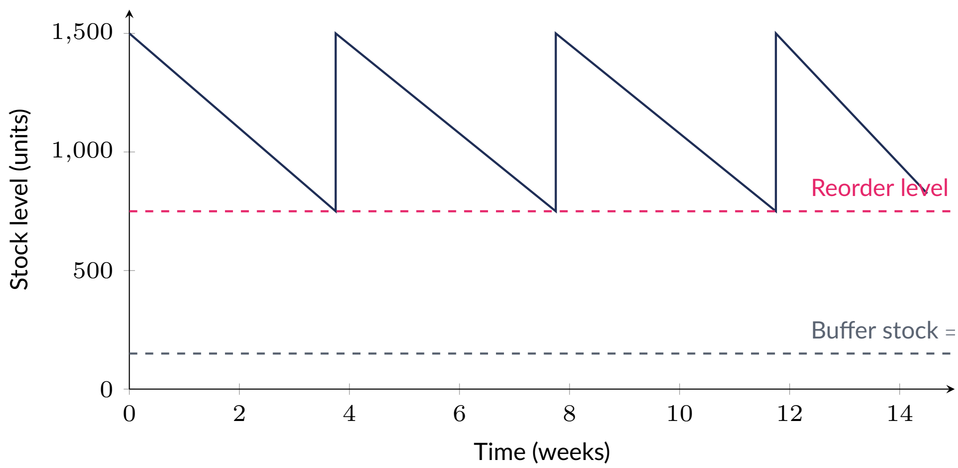

Figure 5.2 — A stock control chart: an order is placed each time stock falls to the reorder level (750 units); delivery arrives 3 weeks later (the lead time), restoring stock to its maximum level before the buffer stock (150 units) is touched.

Worked example: Calculating the reorder level

A retailer sells 200 units per week of a product, sourced from a supplier with a 3-week lead time. Management wants to keep a buffer stock of 150 units at all times as a safety margin.

$$\text{Reorder level} = (200 \times 3) + 150 = 600 + 150 = \boxed{\text{750 units}}$$

The retailer must place a new order as soon as stock falls to 750 units — this ensures the 600 units expected to be sold during the 3-week wait for delivery are covered, while the 150-unit buffer remains available in case demand is temporarily higher than usual or the delivery is slightly delayed.

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JIT (just-in-time) giữ tồn kho tối thiểu, nguyên liệu giao đúng lúc cần dùng — chi phí lưu kho thấp nhưng rất dễ bị gián đoạn nếu nhà cung cấp chậm trễ. JIC (just-in-case) giữ tồn kho đệm (buffer stock) để phòng ngừa rủi ro — an toàn hơn nhưng tốn vốn lưu động và chi phí lưu kho. Điểm đặt hàng lại (reorder level) = (tốc độ sử dụng × thời gian chờ giao hàng) + tồn kho đệm — đây là mức tồn kho mà khi chạm tới, doanh nghiệp phải đặt hàng ngay. Tồn kho trung bình xấp xỉ tồn kho đệm cộng một nửa lượng đặt hàng mỗi lần — đây chính là yếu tố quyết định chi phí lưu kho.

5.4.2 [HL] Economic Order Quantity (EOQ)

[HL] Every order placed with a supplier involves two competing costs: **ordering costs** (C_o, e.g. delivery/admin fees per order — paid *each time* an order is placed, so more frequent, smaller orders raise total ordering cost) and **holding (carrying) costs** (C_h, e.g. warehousing, insurance, spoilage, tied-up capital per unit per year — so larger, less frequent orders raise average stock held and total holding cost). The **Economic Order Quantity (EOQ)** is the order quantity that minimises the *combined* total of these two costs:

$$\text{EOQ} = \sqrt{\frac{2DC_o}{C_h}}$$

where D is annual demand (units/year), C_o is the cost per order placed, and C_h is the holding cost per unit per year.

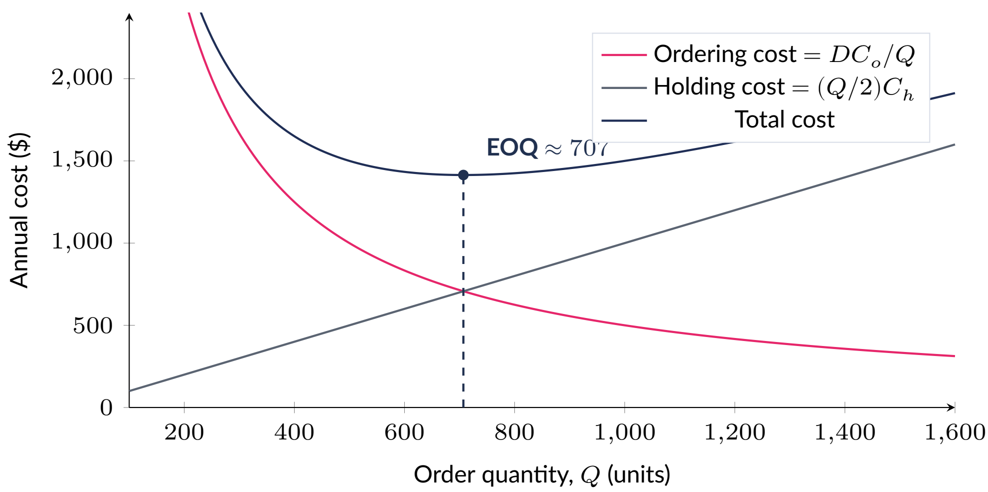

Figure 5.3 — The EOQ model: total cost (holding cost + ordering cost) is minimised where the two cost curves intersect, at the order quantity labelled EOQ.

Worked example: [HL] Calculating the Economic Order Quantity

A retailer has annual demand $D = 10{,}000$ units, a cost per order $C_o = \$50$, and a holding cost $C_h = \$2$ per unit per year.

$$\text{EOQ} = \sqrt{\frac{2 \times 10{,}000 \times 50}{2}} = \sqrt{\frac{1{,}000{,}000}{2}} = \sqrt{500{,}000} \approx \boxed{707 \text{ units}}$$

The number of orders placed per year is $D/\text{EOQ} = 10{,}000/707 \approx \boxed{14.1 \text{ orders/year}}$ (roughly one order every 3.7 weeks).

Checking the minimum: at $Q = 707$, ordering cost $= \frac{DC_o}{Q} = \frac{10{,}000 \times 50}{707} \approx \$707$, and holding cost $= \frac{Q}{2}C_h = \frac{707}{2} \times 2 \approx \$707$. The two costs are (as expected at the true minimum of this model) almost exactly equal, giving a minimum total annual cost of approximately $707 + 707 = \boxed{\$1{,}414}$ — ordering in smaller, more frequent batches would raise ordering cost by more than it saves in holding cost, and vice versa for larger, less frequent batches.

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[HL] EOQ (sản lượng đặt hàng kinh tế) $= \sqrt{\frac{2DC_o}{C_h}}$, trong đó D là nhu cầu hàng năm, C_o là chi phí mỗi lần đặt hàng, C_h là chi phí lưu kho mỗi đơn vị mỗi năm. EOQ là mức đặt hàng tối ưu giúp tổng chi phí đặt hàng + chi phí lưu kho là thấp nhất — tại đúng điểm EOQ, hai loại chi phí này gần như bằng nhau.

(!) Lỗi thường gặp: The EOQ model assumes constant, predictable demand and a fixed lead time/ordering cost — in reality demand fluctuates, supplier prices may include bulk-discount breakpoints, and lead times vary, so EOQ should be treated as a *useful starting benchmark*, not a rigid, guaranteed-optimal order quantity that a business must follow exactly regardless of real-world conditions.

Worked example: [HL] Average stock level and realistic annual holding cost

The basic EOQ calculation above (Section 5.4.2) assumed the business runs its stock all the way down to zero before each delivery arrives, so its average stock held is simply EOQ$/2$. In practice, most businesses also keep a **buffer (safety) stock**, as in the stock control chart in Figure 5.2. Suppose the retailer from the EOQ worked example (EOQ ≈ 707 units, $C_h = \$2$/unit/year) also keeps a buffer stock of 150 units at all times.

$$\text{Average stock level} = \text{buffer stock} + \frac{\text{EOQ}}{2} = 150 + \frac{707}{2} = 150 + 353.5 = \boxed{503.5 \text{ units}}$$

$$\text{Realistic annual holding cost} = 503.5 \times C_h = 503.5 \times 2 = \boxed{\$1{,}007}$$

This is considerably higher than the $707 holding-cost figure calculated by the ”pure” EOQ model (which implicitly assumed zero safety stock) — a reminder that the textbook EOQ formula gives a useful *starting* order quantity, but a business's actual annual holding cost also depends on however much extra buffer stock it deliberately chooses to carry for JIC-style protection against uncertain demand or unreliable delivery.

5.4.3 Make-or-buy (outsourcing) decisions

A related supply-chain decision is whether to **make** a component or product in-house or to **buy** it in from an external supplier (**outsourcing**). Producing in-house typically involves a **fixed cost** (machinery, tooling, dedicated staff/supervision) plus a **variable cost per unit** (materials, direct labour); buying externally typically involves *no* fixed cost commitment, but a (usually higher) **price per unit** paid to the supplier. The two options can be compared by finding the **break-even volume** — the annual output at which the total cost of both options is equal.

Worked example: Make-or-buy break-even volume

A manufacturer is deciding whether to produce a component in-house or buy it from an external supplier. **In-house:** fixed cost of $80,000/year (machinery lease and supervision) plus a variable cost of $4/unit. **External buy-in price:** $6/unit, with no fixed cost.

Let Q be the annual volume required. Setting the two total costs equal:

$$\underbrace{80{,}000 + 4Q}_{\text{In-house total cost}} = \underbrace{6Q}_{\text{External total cost}}$$

$$80{,}000 = 6Q - 4Q = 2Q \quad \Rightarrow \quad Q = \boxed{40{,}000 \text{ units/year}}$$

Below 40,000 units/year, buying externally is cheaper (the in-house fixed cost is not yet fully "earned back" through savings on the lower variable cost); above 40,000 units/year, producing in-house is cheaper, because the $80,000 fixed cost is spread over enough units that the $2/unit variable-cost saving ($\$6 - \$4$) outweighs it.

Applying it: if the manufacturer expects to need 55,000 units next year, in-house cost $= 80{,}000 + (4 \times 55{,}000) = 80{,}000 + 220{,}000 = \$300{,}000$, versus external cost $= 6 \times 55{,}000 = \$330{,}000$. **In-house production saves $30,000** at this volume (comfortably above the 40,000-unit break-even point) and should be recommended — though management should also weigh qualitative factors (loss of flexibility, need for in-house quality control, specialist expertise the supplier might offer, and the risk of the fixed investment becoming a "sunk cost" if demand later falls below 40,000 units).

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Quyết định "tự làm hay mua ngoài" (make-or-buy) so sánh chi phí tự sản xuất (chi phí cố định + chi phí biến đổi/đơn vị) với giá mua ngoài (thường không có chi phí cố định nhưng giá/đơn vị cao hơn). Sản lượng hoà vốn (break-even volume) là mức sản lượng mà tại đó hai phương án có tổng chi phí bằng nhau — dưới mức đó nên mua ngoài, trên mức đó nên tự sản xuất.

Beyond pure cost, businesses weigh **qualitative** make-or-buy factors: outsourcing can access specialist expertise and free up management attention for core activities, and often adds flexibility to scale volume up or down without carrying fixed in-house capacity — but it risks loss of control over quality/timing, dependency on the supplier's reliability, and exposure of confidential product designs to a third party. Producing in-house retains full control and protects intellectual property, at the cost of tying up capital and management focus in what may not be the firm's core competence.

5.5 Research and development (R&D)

Research and development is investment in creating new products, processes or technologies to build and sustain competitive advantage. R&D is inherently risky: most new ideas fail to reach market, and even those that do may not recoup their development cost — a pharmaceutical company, for example, may invest heavily in dozens of candidate compounds knowing that only a small fraction will ever pass clinical trials and reach paying patients — but a successful breakthrough can generate very large returns and a durable competitive edge that lasts long after the original R&D spend.

Invention is the creation of a genuinely new product, process or idea — a scientific or technical achievement. **Innovation** is the successful commercial *application* of an invention (or an existing idea) to create value for customers and the business. Many valuable inventions never become successful innovations (they are never commercialised effectively); conversely, much profitable innovation involves incrementally improving or repackaging existing ideas rather than a wholly new invention.

Market-orientated R&D starts from identified customer needs/market research and develops products to satisfy that already-established demand (lower risk, but may only produce incremental improvements to existing product categories).

Product/technology-orientated R&D starts from scientific/technical possibility — pursuing a new technology or capability *before* confirming there is proven customer demand for it (higher risk, but capable of creating entirely new markets/product categories that customers did not know they wanted, e.g. the smartphone before it existed).

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Invention (phát minh) là tạo ra ý tưởng/công nghệ hoàn toàn mới; innovation (đổi mới) là việc thương mại hoá thành công phát minh đó (hoặc ý tưởng có sẵn) để tạo giá trị. R&D định hướng thị trường (market-orientated) xuất phát từ nhu cầu khách hàng đã xác định — rủi ro thấp hơn; R&D định hướng công nghệ (product/technology-orientated) xuất phát từ khả năng kỹ thuật trước khi biết chắc có nhu cầu — rủi ro cao hơn nhưng có thể tạo ra thị trường hoàn toàn mới.

5.5.1 Product innovation vs. process innovation

Product innovation creates a new or significantly improved good/service itself (new features, new design, an entirely new product category) — aimed at increasing revenue by attracting customers with something better or different.

Process innovation improves *how* an existing product is made or delivered (a faster, cheaper, or higher-quality production/delivery method) without necessarily changing the product the customer receives — aimed primarily at reducing unit cost or improving quality/consistency, which can then be passed on as lower prices, higher margins, or both.

Worked example: Distinguishing product and process innovation

A car manufacturer (1) introduces a new electric vehicle model with a completely redesigned battery and interior, and separately (2) installs new robotic welding equipment on its existing assembly line that cuts assembly time per car by 15% without changing the finished vehicle at all.

(1) is **product innovation** — the customer receives a genuinely new/different product.

(2) is **process innovation** — the product itself is unchanged, but it is now made faster/more cheaply, which should lower unit cost (and potentially improve consistency/quality) rather than change what the customer experiences.

Businesses do not have to fund all R&D entirely alone: **licensing** (paying to use another firm's patented technology, or charging others to use one's own), **joint R&D ventures** with another firm (sharing cost and risk on a shared project), and university/government research partnerships (which sometimes come with grants or tax credits for qualifying R&D spending) can all reduce the cost and risk of pursuing new technology compared with funding every project entirely in-house. Many governments also offer R&D tax incentives or direct grants precisely because private R&D spending tends to generate wider benefits to the economy (new jobs, exports, knowledge spillovers) beyond what the individual firm captures — a factor that can itself feed into the "government incentives" criterion in a location decision (Section 5.3).

> R&D is often visualised as a narrowing **funnel/pipeline**: many early-stage ideas enter at the top, but only a small fraction survive each successive filter (initial feasibility screening, prototyping, testing/trials, regulatory approval where relevant, and finally commercial launch). For example, a firm might start 40 candidate R&D projects in a year; perhaps only 15 pass an initial feasibility review, 5 reach a working prototype, and ultimately just 1 reaches a successful commercial launch. This heavy attrition is completely normal and expected — it is precisely *why* a business must fund a diversified portfolio of R&D projects rather than committing its entire R&D budget to a single "sure thing" (see the risk–reward trade-off below), and why the eventual commercial return from the rare successful project must be large enough to cover the cost of all the projects that did not succeed.

5.5.2 Intellectual property and the risk–reward trade-off

Because R&D is expensive and its results are often easy for a rival to copy once revealed, businesses rely on **intellectual property (IP)** protection to capture a return on their investment:

> **Patents** give the inventor the exclusive legal right to make, use or sell an invention for a fixed period (commonly around 20 years), preventing competitors from copying a novel product or process during that time — the key legal protection for genuine R&D breakthroughs.
>
> **Trademarks** protect a distinctive brand identifier (a name, logo, slogan or symbol), preventing competitors from using a confusingly similar identity to mislead customers — protecting brand reputation and recognition rather than the underlying technology.
>
> **Copyright** automatically protects original creative/expressive works (software code, written text, music, film, design) from being copied or reproduced without permission, without requiring formal registration in most jurisdictions.

An alternative to patenting is to protect an innovation as a **trade secret** — deliberately keeping the process or formula confidential (e.g. through non-disclosure agreements and restricted access) rather than disclosing it publicly in a patent application. A trade secret can in principle last indefinitely (unlike a patent's fixed term), but offers no legal protection at all if a rival independently discovers or reverse-engineers the same process — a genuine trade-off firms must weigh when deciding how to protect a valuable innovation.

Worked example: Choosing the right IP protection

A pharmaceutical company develops (1) a genuinely new chemical compound that treats a disease, (2) a distinctive brand name and logo for the resulting medicine, and (3) the original software code used to control its manufacturing process.

(1) should be protected by a **patent** (a novel invention). (2) should be protected by a **trademark** (brand identity). (3) is automatically protected by **copyright** (original creative/expressive work, in this case source code).

A patent (or another form of IP protection) is often central to capturing **first-mover advantage** — the competitive benefit gained by being the first business to bring a genuinely new product or technology to market, including brand recognition as the category's pioneer, the ability to set an industry standard, and time to build customer loyalty and distribution relationships before competitors can react. However, first movers also bear the greatest R&D risk and cost, and often the greatest cost of *educating* an unfamiliar market — a well-resourced "fast follower" can sometimes learn from the pioneer's mistakes and capture much of the market at lower R&D cost and risk, occasionally even overtaking the original pioneer if it can execute production, marketing or distribution more effectively.

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Bằng sáng chế (patent) bảo vệ phát minh mới (thường khoảng 20 năm); thương hiệu (trademark) bảo vệ tên/logo; bản quyền (copyright) tự động bảo vệ tác phẩm sáng tạo (phần mềm, văn bản, âm nhạc). Lợi thế người đi đầu (first-mover advantage) mang lại danh tiếng và khả năng thiết lập tiêu chuẩn ngành, nhưng đi kèm rủi ro R&D lớn nhất và chi phí "giáo dục" thị trường — trong khi "người theo sau nhanh" (fast follower) có thể học từ sai lầm của người đi đầu với chi phí thấp hơn.

The fundamental **risk–reward trade-off** of R&D spending: heavy R&D investment can produce a durable competitive advantage, premium pricing power, and legally-protected market position — but the large majority of R&D projects never reach a commercially successful product, so a business must fund a *portfolio* of R&D projects (accepting that most will fail) rather than betting its future on any single project, and must budget R&D spending against realistic expected returns rather than the payoff of a single "best case" success story. Many firms track **R&D intensity** (R&D spending as a percentage of sales revenue) over time and against industry rivals as one (imperfect) indicator of how aggressively they are investing in future competitiveness.

5.6 Lean production and Critical Path Analysis

Lean production is a philosophy of continuously eliminating all forms of **waste (muda)** — anything that consumes resources without adding value the customer is willing to pay for — while maintaining or improving quality, speed and cost. It draws heavily on kaizen (continuous improvement) and close attention to every step of the production process.

5.6.1 The seven wastes of muda

Overproduction — making more than is currently needed, tying up capital and storage space in unsold stock and hiding other inefficiencies.

Waiting — idle time when a process, machine or worker is not adding value (e.g. waiting for a delayed delivery, or for the previous stage of production to finish).

Transport — unnecessary movement of materials/products between stages or sites, which adds cost and risk of damage without adding value.

Over-processing — doing more work on a product than the customer actually requires or values (e.g. an unnecessarily high-precision finish on a hidden internal part).

Inventory — holding more raw materials, work-in-progress or finished goods than immediately necessary, tying up capital and space and hiding quality problems within large batches.

Motion — unnecessary physical movement by workers (e.g. walking to fetch tools stored far from their workstation) that wastes time without adding value.

Defects — output that fails to meet the required quality standard, wasting the materials, labour and time already invested in producing it, and requiring rework, scrapping or a costly warranty claim.

Figure 5.4 — The seven wastes (muda) targeted by lean production, arranged around the central goal of waste elimination.

Lean production tackles these wastes through specific tools: **kaizen** (continuous, incremental improvement suggested and implemented by the workers actually doing the job, not imposed top-down, often structured using the **PDCA cycle** — Plan a small change, Do/trial it, Check the results, Act by adopting, adjusting or abandoning it, then repeating); **Kanban** (a visual/card-based signalling system that triggers the next stage of production or a new supplier delivery only when it is actually needed, closely linked to JIT and directly reducing overproduction and excess inventory); **cell production** (organising workers into small, multi-skilled teams responsible for a complete unit or sub-assembly of the product, rather than one narrow repetitive task on a long line) — which can reduce transport/motion waste, improve quality ownership, and increase worker motivation through more varied, meaningful work; **5S** (a workplace-organisation method — *Sort* unnecessary items out of the work area, *Set in order* what remains for easy access, *Shine*/keep the area clean, *Standardise* the best layout/process, *Sustain* the discipline over time) — which directly targets the wastes of motion and waiting by ensuring every tool and material has an obvious, efficient place; and **total productive maintenance (TPM)** — training machine operators themselves to perform routine cleaning, lubrication and basic inspection of their own equipment, and scheduling preventive maintenance *before* a breakdown occurs, rather than only repairing machinery reactively after it fails — directly reducing the waiting waste caused by unplanned downtime and the defects that a poorly-maintained machine is more likely to produce.

Worked example: Identifying wastes and lean solutions

A furniture factory currently: (1) produces 20% more units than weekly orders "just in case," building up unsold stock; (2) stores its paint station 80 metres from the assembly line, requiring workers to walk back and forth repeatedly; and (3) applies three coats of varnish to a table's underside that is never visible or touched by the customer.

(1) is **overproduction** (and creates excess **inventory**) — a Kanban-style signalling system, triggering production only in response to confirmed orders, would directly reduce this.

(2) is wasted **motion** (and **transport** of materials) — relocating the paint station closer to the assembly line, or reorganising into a production cell with a 5S-style workspace redesign, would reduce this.

(3) is **over-processing** — reducing the number of coats on a hidden, non-functional surface to only what is needed frees up time and material for value-adding work elsewhere.

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Bảy loại lãng phí (7 wastes/muda) trong sản xuất tinh gọn (lean): sản xuất thừa (overproduction), chờ đợi (waiting), vận chuyển (transport), xử lý thừa (over-processing), tồn kho dư thừa (inventory), di chuyển thừa (motion), lỗi sản phẩm (defects). Kaizen (cải tiến liên tục, thường theo chu trình PDCA: Plan–Do–Check–Act), Kanban (hệ thống tín hiệu trực quan gắn với JIT), cell production (sản xuất theo tổ/nhóm đa kỹ năng), 5S (Sort–Set in order–Shine–Standardise–Sustain, sắp xếp nơi làm việc gọn gàng) và TPM — total productive maintenance (bảo trì phòng ngừa, công nhân tự bảo dưỡng máy móc trước khi hỏng) là các công cụ chính giúp loại bỏ những lãng phí này.

Lean's emphasis on Kanban and JIT reflects a broader shift from **push production** to **pull production**. A **push** system produces according to a fixed schedule or sales *forecast*, "pushing" output into stock regardless of whether a specific customer order yet exists — simpler to plan and can exploit steady, predictable batch/flow runs, but risks costly overproduction if the forecast turns out to be wrong. A **pull** system produces (or moves components to the next stage) only in direct response to actual demand signals — a confirmed customer order, or a Kanban card from the next workstation "pulling" more input as it is consumed — directly targeting the wastes of overproduction and excess inventory, at the cost of requiring a highly responsive, reliable production and supply system able to react quickly with little advance notice.

Operational resilience: operations managers must also plan for supply-chain disruption (e.g. a key supplier failure, a natural disaster, a border closure) by identifying alternative suppliers or holding limited strategic buffer stock for critical inputs — this operational contingency planning is distinct from, and narrower than, the company-wide crisis management and business-continuity planning covered in Unit 1.

5.6.2 [HL] Critical Path Analysis (CPA)

[HL] Critical Path Analysis is a planning technique that maps a complex project as a **network** of activities (each with a known duration and known predecessor activities), used to identify the shortest possible time in which the whole project can be completed, and exactly which activities must not be delayed if that completion date is to be met.

Each **node** (numbered circle) in the network represents an **event** — a specific point in time (the start or finish of one or more activities). Each **activity** (an arrow between two nodes, labelled with a letter and duration) represents a task that takes time and must be completed before its successor activities can begin. Where two activities share the same start and end events but are not actually the same task, or where a purely logical dependency must be shown without any duration of its own, networks sometimes use a **dummy activity** — a broken-line arrow with zero duration that preserves the correct logical ordering without representing any real task or cost.

Earliest start time (EST) — the earliest an activity can begin, found via a **forward pass** through the network (left to right): EST of a node $=$ EST of the preceding node $+$ duration of the activity linking them; where multiple activities converge on a node, take the *largest* (latest-arriving) value.

Latest start time (LST) — the latest an activity can begin without delaying the whole project, found via a **backward pass** (right to left, starting from the final EST as the project duration): LST of a node $=$ LST of the following node $-$ duration of the activity linking them; where a node precedes multiple activities, take the *smallest* (earliest-required) value.

Float (total float) of an activity $=$ LST(end node) $-$ EST(start node) $-$ duration. An activity with **zero float** is **critical** — it cannot be delayed at all without delaying the entire project. The **critical path** is the unbroken chain of critical (zero-float) activities from start to finish, and its total duration equals the minimum possible project completion time. Non-critical activities have positive float — some slack/flexibility in their scheduling — which management can use to reallocate resources to critical activities if needed.

Standard network diagram conventions: nodes are numbered left to right in the (rough) order they occur, and each node is conventionally drawn as a circle split so the EST can be written in its upper half and the LST in its lower half (as in Figures 5.5 and 5.6 below). Every activity must have a clearly defined single start node and single end node, arrows always run left to right (never backward, since an activity cannot depend on something that has not happened yet), and no two *different* activities should share *both* the same start node and the same end node (which is precisely the situation a dummy activity is used to resolve, by inserting an extra node so the two activities can be told apart). Reading a finished network "backwards" from its final node also immediately reveals every predecessor relationship in the project, which is why CPA diagrams are so useful for briefing a whole project team at a glance.

Worked example: [HL] Critical Path Analysis — 6-node network

A project consists of six activities: A (duration 4 days, start); B (6 days, after A); C (3 days, after A); D (5 days, after B); E (2 days, after C); F (4 days, after both D and E).

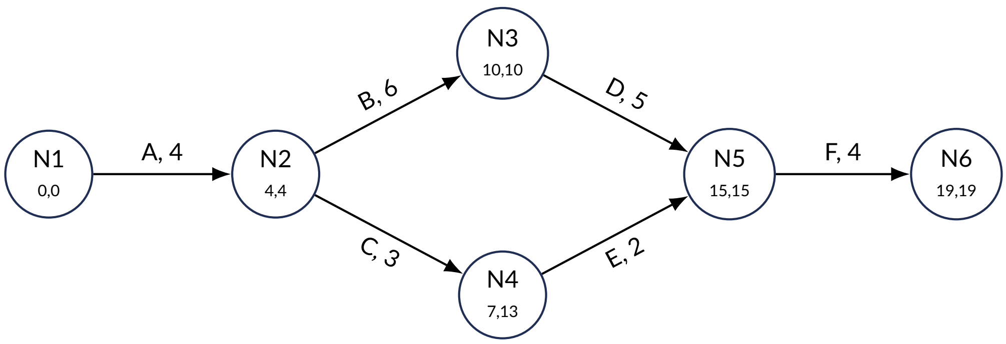

Figure 5.5 — CPA network for the 6-activity project (each node labelled EST, LST).

Forward pass (EST): $N_1 = 0$; $N_2 = N_1 + A = 0 + 4 = 4$; $N_3 = N_2 + B = 4 + 6 = 10$; $N_4 = N_2 + C = 4 + 3 = 7$; $N_5 = \max(N_3 + D,\ N_4 + E) = \max(10 + 5,\ 7 + 2) = \max(15, 9) = 15$; $N_6 = N_5 + F = 15 + 4 = \boxed{19}$.

Backward pass (LST): $N_6 = 19$; $N_5 = N_6 - F = 19 - 4 = 15$; $N_4 = N_5 - E = 15 - 2 = 13$; $N_3 = N_5 - D = 15 - 5 = 10$; $N_2 = \min(N_3 - B,\ N_4 - C) = \min(10 - 6,\ 13 - 3) = \min(4, 10) = 4$; $N_1 = N_2 - A = 4 - 4 = 0$.

Float of each activity (Float = LST(end)−EST(start)−duration): $A = 4 - 0 - 4 = 0$; $B = 10 - 4 - 6 = 0$; $C = 13 - 4 - 3 = 6$; $D = 15 - 10 - 5 = 0$; $E = 15 - 7 - 2 = 6$; $F = 19 - 15 - 4 = 0$.

Activity	A	B	C	D	E	F
Float (days)	0	0	6	0	6	0

Table 5.5 — Float summary for the 6-activity network.

Activities A, B, D and F have zero float ⇒ **critical path** = **A–B–D–F**, project duration $= 4 + 6 + 5 + 4 = \boxed{19 \text{ days}}$. C and E each have **6 days of float** — either could be delayed by up to 6 days without affecting the overall 19-day completion time.

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[HL] Phân tích đường găng (Critical Path Analysis): EST (earliest start time — tính bằng lượt tiến/forward pass, cộng dồn từ trái sang, lấy giá trị LỚN nhất khi nhiều hoạt động hội tụ); LST (latest start time — tính bằng lượt lùi/backward pass, trừ dần từ phải sang, lấy giá trị NHỎ nhất khi một nút dẫn tới nhiều hoạt động). Float (thời gian dự trữ) = LST(nút kết thúc) − EST(nút bắt đầu) − thời lượng. Float $= 0$ nghĩa là hoạt động găng (critical) — không thể trễ mà không làm trễ toàn dự án; đường găng (critical path) là chuỗi hoạt động có float $= 0$, và tổng thời lượng của nó chính là thời gian hoàn thành dự án ngắn nhất. Dummy activity (hoạt động giả) là mũi tên đứt nét, thời lượng bằng 0, chỉ dùng để thể hiện đúng thứ tự logic giữa các hoạt động, không đại diện cho công việc thực tế.

(!) Lỗi thường gặp: At a converging node (where two or more activities lead into the same node), the forward pass takes the **largest** value (the node cannot occur until *all* incoming activities are complete) — but at a node from which multiple activities *diverge* on the backward pass, the calculation takes the **smallest** value (the node must be ready early enough for the *earliest*-required successor activity). Mixing these up is the single most common CPA error.

Worked example: [HL] Critical Path Analysis — a larger 8-activity network

A larger project has eight activities across seven nodes: A (6 days, start); B (4 days, start, in parallel with A); C (5 days, after A); D (3 days, after A); E (7 days, after B); F (4 days, after both C and E); G (2 days, after D); H (5 days, after both F and G).

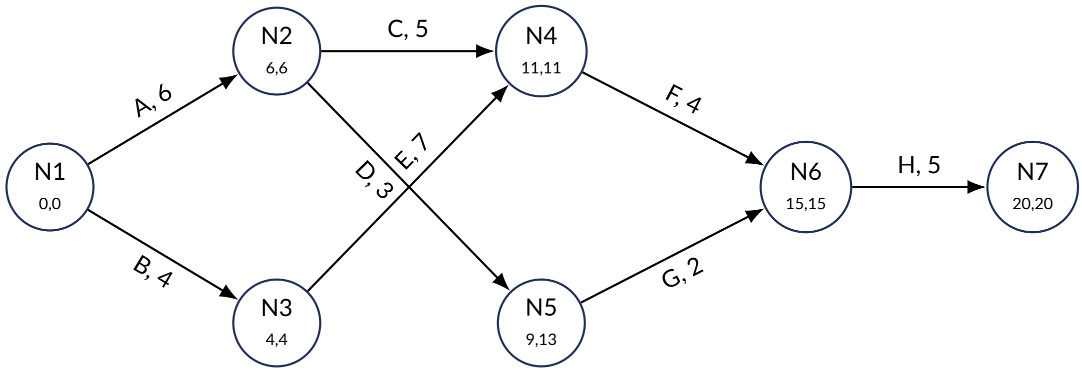


Figure 5.6 — CPA network for the larger 8-activity project (each node labelled EST, LST).

Forward pass (EST): $N_1 = 0$; $N_2 = N_1 + A = 0 + 6 = 6$; $N_3 = N_1 + B = 0 + 4 = 4$; $N_4 = \max(N_2+C,\ N_3+E) = \max(6+5,\ 4+7) = \max(11, 11) = 11$; $N_5 = N_2+D = 6+3 = 9$; $N_6 = \max(N_4+F,\ N_5+G) = \max(11+4,\ 9+2) = \max(15, 11) = 15$; $N_7 = N_6+H = 15+5 = \boxed{20}$.

Backward pass (LST): $N_7 = 20$; $N_6 = N_7 - H = 20 - 5 = 15$; $N_5 = N_6 - G = 15 - 2 = 13$; $N_4 = N_6 - F = 15 - 4 = 11$; $N_3 = N_4 - E = 11 - 7 = 4$; $N_2 = \min(N_4 - C,\ N_5 - D) = \min(11 - 5,\ 13 - 3) = \min(6, 10) = 6$; $N_1 = \min(N_2 - A,\ N_3 - B) = \min(6 - 6,\ 4 - 4) = \min(0, 0) = 0$.

Float of each activity (Float = LST(end)—EST(start)—duration): $A = 6 - 0 - 6 = 0$; $B = 4 - 0 - 4 = 0$; $C = 11 - 6 - 5 = 0$; $D = 13 - 6 - 3 = 4$; $E = 11 - 4 - 7 = 0$; $F = 15 - 11 - 4 = 0$; $G = 15 - 9 - 2 = 4$; $H = 20 - 15 - 5 = 0$.

Activity	A	B	C	D	E	F	G	H
Float (days)	0	0	0	4	0	0	4	0

Table 5.6 — Float summary for the larger 8-activity network.

Project duration = $\boxed{\text{20 days}}$. Activities A, B, C, E, F and H all have **zero float**, so — unusually — this network has **two parallel critical paths**: A–C–F–H ($6 + 5 + 4 + 5 = 20$) and B–E–F–H ($4 + 7 + 4 + 5 = 20$), which happen to take exactly the same total time and converge at node N4. D and G each carry **4 days of float**. This illustrates an important CPA principle: a project can have *more than one* critical path simultaneously, and management must monitor *all* of them equally closely, since a delay to **either** A–C or B–E would delay the whole project.

CPA gives management several practical benefits: it identifies the *minimum* possible completion time and exactly which activities must be prioritised (monitored, resourced, not delayed); it reveals which non-critical activities have **float** and could, if needed, release staff/resources to support a critical activity instead; and it supports **crashing** decisions — paying to shorten a critical activity's duration (overtime, extra staff, expedited materials) to bring forward the whole project's completion date. Crucially, only *critical* activities (zero float) are ever worth crashing, since shortening a non-critical activity would not bring the overall completion date forward by a single day — it would simply reduce that activity's existing float.

Worked example: [HL] Evaluating a crashing decision

In the 8-activity network from the previous worked example (project duration 20 days, critical activities A, B, C, E, F, H), management is offered the chance to crash activity F from 4 days to 2 days (saving 2 days), at an extra cost of $3,000. Finishing the whole project 2 days earlier would let the client take delivery sooner, avoiding a $5,000 late-delivery penalty clause in the contract.

Is F worth crashing? F is on *both* critical paths (A–C–F–H and B–E–F–H), so shortening it by 2 days genuinely brings the whole project's completion date forward by 2 days (from day 20 to day 18) — crashing a critical activity that lies on *every* critical path directly reduces the overall project duration. Net financial benefit $= \$5{,}000 - \$3{,}000 = \boxed{\$2{,}000 \text{ saved}}$, so crashing F is financially worthwhile.

Why not crash D or G instead? D and G each carry 4 days of float and lie on *neither* critical path — shortening either would simply increase their own spare float without changing the 20-day project duration at all, so spending money to crash them would be pure waste.

5.7 Sustainability and ethical operations

Operations decisions increasingly have to balance commercial efficiency against **environmental** and **ethical** responsibilities — both because stakeholders (customers, regulators, investors, employees) increasingly demand it, and because resource efficiency itself often reduces cost.

Environmental impact of operations: waste management (reducing, reusing and recycling production waste rather than sending it to landfill, and safely disposing of hazardous by-products); **resource efficiency** (using less energy, water and raw material per unit of output, e.g. through lean production's waste-elimination focus); and reducing the **carbon footprint** of production and logistics (energy source, transport distance/mode, packaging). Some businesses adopt an **environmental management system** (e.g. certified to the ISO 14000 series) — a structured, externally-audited process for continuously monitoring and reducing environmental impact, similar in principle to an ISO 9000 quality management system.

Ethical sourcing means ensuring raw materials and components are obtained without unacceptable harm to people or the environment further up the supply chain — for example, verifying suppliers do not use child or forced labour, pay at least a living wage, meet basic workplace safety standards, and (for natural resources) avoid illegal logging, overfishing or conflict minerals. Because supply chains often span many countries and many tiers of sub-suppliers, verifying ethical sourcing reliably (e.g. through independent audits and certification schemes such as Fairtrade) is itself a significant operational challenge, since a business may have direct oversight of its immediate supplier but limited visibility of *that* supplier's own sub-suppliers further up the chain.

Worked example: Evaluating a sustainability investment

A clothing manufacturer currently sends 30 tonnes of fabric offcuts to landfill each month at a disposal cost of $40/tonne ($1,200/month). It is considering installing a recycling system, costing $45,000 upfront, that would allow 80% of the offcuts to be sold to a textile recycler for $25/tonne instead of being sent to landfill.

Current monthly cost: $30 \times \$40 = \$1{,}200$ (pure cost, no revenue).

After the system: $80\% \times 30 = 24$ tonnes recycled, generating revenue of $24 \times \$25 = \$600$/month; the remaining 6 tonnes still cost $6 \times \$40 = \$240$/month to landfill. **Net monthly cost** $= \$240 - \$600 = -\$360$ (i.e. a $360/month net *gain* rather than a cost).

Change in monthly position: from a $1,200 cost to a $360 gain is an improvement of $1,560/month, so the $45,000 investment pays for itself in $45{,}000 \div 1{,}560 \approx$

$\boxed{28.8 \text{ months (just over 2 years)}}$ — beyond that payback period, the system is a straightforward net financial benefit, in addition to reducing landfill waste and the manufacturer's environmental footprint.

GIẢI THÍCH TIẾNG VIỆT

VN Vận hành bền vững liên quan đến quản lý chất thải (waste management), hiệu quả sử dụng tài nguyên (resource efficiency) và giảm dấu chân carbon (carbon footprint); một số doanh nghiệp áp dụng hệ thống quản lý môi trường được chứng nhận (ví dụ ISO 14000). Sourcing có đạo đức (ethical sourcing) đảm bảo nguyên liệu không liên quan đến lao động trẻ em/cưỡng bức, lương tối thiểu hợp lý và an toàn lao động trong toàn bộ chuỗi cung ứng — việc kiểm chứng này khó khăn hơn khi chuỗi cung ứng trải dài qua nhiều quốc gia và nhiều tầng nhà cung cấp phụ mà doanh nghiệp không trực tiếp giám sát được.

The central **cost–benefit trade-off**: sustainable practices (renewable energy, higher-welfare/certified raw materials, waste-reduction equipment, ethical audits) very often raise **short-term** cost — through higher input prices, upfront capital investment, or slower/less flexible sourcing — even where, as in the example above, they eventually pay for themselves or generate a positive return. Businesses must weigh this short-term cost against long-term benefits: cost savings from efficiency, a lower risk of reputational damage or regulatory penalty, improved access to increasingly sustainability-conscious customers/investors, and (in some markets) direct legal compliance requirements that are becoming stricter over time — meaning "no action" is not a permanently cost-free option either, since regulation and customer expectations continue to shift.

(!) Lỗi thường gặp: Do not treat sustainability purely as a cost to be minimised. Strong exam answers weigh the *trade-off* explicitly: short-term cost/complexity against reduced long-term risk (regulatory, reputational, resource-scarcity) and, in many concrete cases (as in the example above), a genuine, quantifiable financial payback within a reasonable time frame.

Many of these ideas connect to a wider **circular economy** approach — designing products and processes from the outset to minimise waste, keep materials in use for as long as possible (through repair, reuse and recycling), and regenerate natural systems, rather than the traditional linear "take–make–dispose" model. This links directly back to the **triple bottom line** (people, planet, profit) and stakeholder theory introduced in Unit 1: a business's environmental and ethical operations decisions are, in effect, a direct response to the interests and expectations of stakeholders such as customers, regulators, local communities and increasingly ESG-focused investors, not a separate concern from "normal" business strategy.

5.7.1 Operations management and the other functional areas

No operations decision is made in isolation — it is constantly shaped by, and constantly reshapes, decisions in the other three functional areas covered earlier in this book.

Operations and human resources (Unit 2): the chosen production method dictates the skills, training and motivation approach HR must provide — job production needs versatile, highly-skilled staff, while flow production needs staff trained for narrow, repetitive tasks (raising the risk of the demotivation Herzberg warned against, unless HR designs in job rotation/enrichment). A genuine shift to TQM or lean production is, above all, a **culture change programme** that HR must lead through training, communication and a reward system that recognises quality/improvement contributions, not merely an operations initiative.

Operations and finance (Unit 3): nearly every operations decision has a direct capital-budgeting dimension — investing in flow-production machinery, funding a make-or-buy decision's fixed cost, or paying for a sustainability upgrade all compete for the same limited investment funds, and are typically evaluated using the same investment-appraisal and cash-flow tools finance uses elsewhere. Holding inventory (JIC buffer stock, or stock built up above EOQ) ties up **working capital** that could otherwise fund other priorities, directly linking stock control decisions to the business's overall liquidity and cash-flow position.

Operations and marketing (Unit 4): a marketing promise (fast delivery, high customisation, guaranteed quality, a "green"/ethical brand positioning) is only credible if operations can actually deliver it — a promotional campaign that drives a sudden demand spike is worthless if capacity utilisation is already near 100% with no spare capacity, or if a JIT supply chain cannot react quickly enough to the extra volume. Conversely, genuine strengths in operations (superior quality from TQM, a unique modular/mass-customisation offer, verified ethical sourcing) can themselves become a product's core **unique selling point (USP)** that marketing builds a campaign around.

VN GIẢI THÍCH TIẾNG VIỆT

Không có quyết định vận hành nào tách biệt khỏi các chức năng khác. Với nhân sự (HR): phương pháp sản xuất quyết định kỹ năng/đào tạo cần thiết, và chuyển sang TQM/lean thực chất là một chương trình thay đổi văn hoá mà HR phải dẫn dắt. Với tài chính: đầu tư máy móc, chi phí cố định trong quyết định make-or-buy, hay nâng cấp bền vững đều cạnh tranh cùng một nguồn vốn hạn chế, và tồn kho luôn chiếm dụng vốn lưu động. Với marketing: lời hứa marketing (giao hàng nhanh, tuỳ chỉnh cao, chất lượng đảm bảo) chỉ đáng tin nếu bộ phận vận hành thực sự đáp ứng được — và ngược lại, thế mạnh vận hành (chất lượng TQM, tuỳ chỉnh hàng loạt, nguồn cung có đạo đức) có thể chính là USP mà marketing khai thác.

Worked example: Coordinating a promotional campaign across functions

A mid-sized drinks manufacturer's marketing department plans a major promotional discount expected to **triple** sales volume for one month. Before approving the campaign, senior management asks operations, HR and finance to assess whether the business can actually deliver it.

Operations: the factory currently runs at 85% capacity utilisation, so it has only 15% spare capacity — nowhere near enough to triple output. Its bottling line uses a JIT supply of glass bottles from a single local supplier (Section 5.4), so a sudden tripling of orders risks that supplier being unable to keep pace, potentially halting the line entirely at the worst possible moment.

HR: tripling output for one month likely requires authorising significant overtime or hiring temporary staff at short notice (Unit 2) — but training new staff takes time, and rushed, under-trained temporary workers are more likely to cause quality defects (Section 5.2), directly undermining the brand image the promotional campaign is meant to build.

Finance: funding a temporary surge in raw-material stock, overtime wages and possibly a rushed order from a second (more expensive) bottle supplier all require short-term cash (Unit 3) — a cost that must be weighed against the campaign's expected revenue increase when deciding whether it is really worthwhile.

Conclusion: marketing's promotional plan is only genuinely deliverable if operations, HR and finance can jointly support it — this is exactly why realistic operations planning (spare capacity, supplier reliability, staffing lead times, working-capital funding) must be built into a marketing campaign's approval *before* launch, not discovered as a crisis partway through it.

Unit 5 formula and framework summary:

Concept	Formula / framework
Capacity utilisation	$\frac{\text{Actual output}}{\text{Maximum possible output}} \times 100$
Cost of poor quality	(Defective units $\times$ internal rework cost) $+$ (units reaching customers $\times$ external failure cost)
Weighted factor rating	$\sum$(weight $\times$ score) per location, weights summing to 1
Reorder level	(Usage rate $\times$ lead time) $+$ buffer stock
Average stock level	Buffer stock $+\frac{1}{2}$(order quantity)
[HL] Economic Order Quantity	EOQ $= \sqrt{\frac{2DC_o}{C_h}}$ (D=annual demand, C_o=cost/order, C_h=holding cost/unit/year)
Make-or-buy break-even volume	Set (fixed cost $+$ variable cost$\times Q$) $=$ (external price$\times Q$), solve for Q
Location cost break-even	Set (fixed cost$_1$ $+$ variable cost$_1$ $\times Q$) $=$ (fixed cost$_2$ $+$ variable cost$_2$ $\times Q$), solve for Q
[HL] CPA — float	Float $=$ LST(end node) $-$ EST(start node) $-$ duration; float $= 0 \Rightarrow$ critical

5.8 Practice problems

Bài tập luyện tập

A bakery makes a distinct batch of 300 identical sourdough loaves each morning, then switches its ovens and mixers over to make a batch of 150 croissants. Which production method does this best describe?

(A) Job production
(B) Batch production
(C) Flow production
(D) Mass customisation

Lời giải chi tiết

Producing a group of identical items together, then switching the same equipment over to a different product, is the definition of **batch production**. **(B)**.

Bài tập luyện tập

A furniture factory has a maximum monthly capacity of 12,000 units. Last month it produced 9,000 units. Calculate its capacity utilisation and state **one** risk of operating at this level.

Lời giải chi tiết

Capacity utilisation $= \dfrac{9{,}000}{12{,}000} \times 100 = \boxed{75\%}$.

Risk: with 25% spare capacity, the factory's fixed costs are spread over fewer units than the maximum possible, raising average fixed cost per unit compared with running closer to full capacity — this may also signal weaker-than-expected sales/demand that management should investigate.

Bài tập luyện tập

Explain **one** advantage and **one** disadvantage of a business choosing job production over flow production for a highly specialised, one-off product (e.g. a custom racing yacht).

Lời giải chi tiết

Advantage: job production allows the yacht to be built entirely to the individual customer's exact specifications, achieving maximum flexibility and (often) a very high quality/premium finish that justifies a high price.

Disadvantage: unit cost is very high compared with flow production, since there is little opportunity for economies of scale, specialisation of labour, or automation across a single custom build — making the product commercially unviable for anything but a small, high-spending market segment.

Bài tập luyện tập

A textile factory currently only inspects garments at the very end of the production line, after all sewing, dyeing and finishing steps are complete. Recommend a change to a quality assurance (QA) approach instead, and explain **one** benefit.

Lời giải chi tiết

The factory should introduce quality checks **at the end of each production stage** (e.g. checking the cut fabric before sewing, checking stitching before dyeing, checking colour/finish before packing), so that each worker is responsible for verifying their own stage's output before it moves on.

Benefit: defects are caught (and can be corrected or the item scrapped) *before* further resources (dye, finishing labour, packaging) are wasted on a garment that will fail final inspection anyway — reducing the total resources wasted per defective unit compared with catching the same defect only at the very end (pure QC).

Bài tập luyện tập

A company produces 40,000 units/month with a 5% defect rate. Each defective unit caught internally costs $18 to rework. Of the defective units, 250 are not caught and reach customers, each costing $45 in warranty replacement. Calculate the total monthly cost of poor quality.

Lời giải chi tiết

Defective units $= 40{,}000 \times 0.05 = 2{,}000$ units.

Internal failure cost $= 2{,}000 \times \$18 = \$36{,}000$.

External failure cost $= 250 \times \$45 = \$11{,}250$.

Total monthly cost of poor quality $= 36{,}000 + 11{,}250 = \boxed{\$47{,}250}$ — a substantial recurring cost that strongly justifies further investment in prevention (e.g. better machine calibration) and appraisal (more thorough in-process inspection).

Bài tập luyện tập

Which of the following is an example of an **external failure cost** rather than an internal failure cost?

(A) Scrapping a defective component before it leaves the factory

(B) Reworking a faulty item found during in-process inspection

(C) A product recall after customers report a safety fault

(D) Routine calibration of testing equipment

Lời giải chi tiết

Internal failure costs occur *before* the product reaches the customer (scrapping, rework); routine calibration is a prevention/appraisal cost. A **product recall after the product has reached customers** is a classic external failure cost. **(C)**.

Bài tập luyện tập

Explain **one** reason increasing prevention and appraisal spending on quality could reduce a company's *total* cost of quality overall, even though the company's spending on prevention/appraisal itself has risen.

Lời giải chi tiết

If additional, well-targeted prevention spending (e.g. improved machine calibration, more thorough operator training) or appraisal spending (e.g. more rigorous in-process inspection) reduces the defect rate meaningfully, the resulting fall in internal and (especially, since it is usually the most expensive category per unit) external failure costs can exceed the extra amount spent on prevention/appraisal — reducing the *combined* total cost of quality even though one individual cost category (prevention/appraisal) has risen, illustrating the "quality is free" principle: well-judged proactive spending is often more than repaid by avoided failure costs.

Bài tập luyện tập

A company is choosing between two candidate towns, C and D, for a new warehouse, scoring each out of 10 on three weighted factors: Rent cost (weight 0.40): C scores 6, D scores 9. Transport links (weight 0.35): C scores 8, D scores 5. Local labour availability (weight 0.25): C scores 7, D scores 6. Calculate the weighted total score for each town and recommend a location.

Lời giải chi tiết

Town C: $(0.40 \times 6) + (0.35 \times 8) + (0.25 \times 7) = 2.40 + 2.80 + 1.75 = \boxed{6.95}$.

Town D: $(0.40 \times 9) + (0.35 \times 5) + (0.25 \times 6) = 3.60 + 1.75 + 1.50 = \boxed{6.85}$.

Town **C** scores marginally higher overall (6.95 vs 6.85) and should be recommended — its much stronger transport links score (the second most heavily weighted factor) outweighs Town D's advantage on rent cost, though the two locations are close enough that qualitative factors could reasonably shift the final decision.

Bài tập luyện tập

Explain **one** reason weighted factor rating can produce a misleading recommendation if the weights are chosen carelessly.

Lời giải chi tiết

If the weights do not accurately reflect what genuinely matters most to the specific business/decision (e.g. under-weighting labour cost for a very labour-intensive process, or overweighting a factor management merely finds easy to score), the model can recommend a location that scores well on paper but poorly on the factor that will actually determine profitability in practice — the output is only as reliable as the (necessarily somewhat subjective) weights and scores fed into it, similar to the limitation of a decision tree's probabilities and payoffs (Unit 1).

Bài tập luyện tập

A retailer sells 350 units per week, with a supplier lead time of 2 weeks and a desired buffer stock of 200 units. Calculate the reorder level.

Lời giải chi tiết

Reorder level $= (350 \times 2) + 200 = 700 + 200 = \boxed{900 \text{ units}}$.

Bài tập luyện tập

Explain **one** advantage and **one** disadvantage of just-in-time (JIT) stock control compared with just-in-case (JIC) for a car manufacturer.

Lời giải chi tiết

Advantage: JIT minimises the capital tied up in stock and the warehousing/storage cost of holding large volumes of components, and forces close, high-quality relationships with reliable suppliers.

Disadvantage: JIT leaves the manufacturer highly vulnerable to any disruption in the supply chain (e.g. a single delayed component delivery), which can halt the entire assembly line, since there is no buffer stock to fall back on — a risk JIC directly protects against, at the cost of tying up more working capital.

Bài tập luyện tập

[HL] A firm has annual demand of 8,000 units, a cost per order of $40, and a holding cost of $1.60 per unit per year. Calculate the Economic Order Quantity (EOQ) and, using your answer, the approximate number of orders placed per year.

Lời giải chi tiết

$$\text{EOQ} = \sqrt{\frac{2 \times 8{,}000 \times 40}{1.60}} = \sqrt{\frac{640{,}000}{1.60}} = \sqrt{400{,}000} \approx \boxed{632 \text{ units}}$$

Orders per year $= \frac{D}{\text{EOQ}} = \frac{8{,}000}{632} \approx \boxed{12.7 \text{ orders/year}}$ — roughly one order every 4 weeks.

Bài tập luyện tập

[HL] Explain **one** limitation of using the EOQ model in a real business setting.

Lời giải chi tiết

The EOQ model assumes constant, predictable annual demand and fixed, known ordering and holding costs — in reality, demand fluctuates (seasonally or unpredictably), suppliers may offer bulk-purchase discounts that change the effective cost per unit at larger order sizes, and lead times can vary, so the calculated EOQ is a useful starting benchmark rather than a guaranteed-optimal fixed rule the business must follow regardless of changing real-world conditions.

Bài tập luyện tập

A firm is deciding whether to manufacture a part in-house (fixed cost $60,000/year, variable cost $3/unit) or buy it externally at $5/unit with no fixed cost. Calculate the break-even volume between the two options, and then use it to recommend a decision if the firm expects to need 45,000 units next year.

Lời giải chi tiết

Setting total costs equal: $60{,}000 + 3Q = 5Q \Rightarrow 60{,}000 = 2Q \Rightarrow Q = \boxed{30{,}000 \text{ units/year}}$.

At 45,000 units/year (above the break-even volume): in-house cost $= 60{,}000 + (3 \times 45{,}000) = 60{,}000 + 135{,}000 = \$195{,}000$; external cost $= 5 \times 45{,}000 = \$225{,}000$. **In-house production saves $30,000** at this volume and should be recommended, provided the firm also has the capacity, expertise and quality control to manage production reliably.

Bài tập luyện tập

A pharmaceutical company invests heavily to be the first in the world to launch a new class of medicine, while a rival waits to see if the new medicine succeeds before launching a very similar version. Identify the strategy each company is following and state **one** risk and **one** benefit of the first company's approach.

Lời giải chi tiết

The first company is pursuing **first-mover advantage** (product/technology-orientated R&D); the rival is a **fast follower**.

Benefit (first mover): it can capture brand recognition as the pioneer, set the industry standard, and (if patented) enjoy a period of legally-protected exclusivity and premium pricing before competitors can enter.

Risk (first mover): it bears the full cost and risk of R&D and of educating an unfamiliar market, and if the product underperforms, competitors avoid that sunk cost entirely — the fast follower can learn from any mistakes at much lower cost and risk.

Bài tập luyện tập

A software company writes original source code for a new mobile app, designs a distinctive brand name and logo for it, and develops a genuinely novel data-compression algorithm used inside the app. Identify the most appropriate form of intellectual property protection for each of the three elements.

Lời giải chi tiết

The **source code** is automatically protected by **copyright** (an original creative/expressive work). The **brand name and logo** should be protected by a **trademark**. The **novel compression algorithm** (a genuine technical invention) should be protected by a **patent**.

Bài tập luyện tập

Distinguish between **product innovation** and **process innovation**, using an example of each for a coffee-shop chain.

Lời giải chi tiết

Product innovation creates a new/different product for the customer — e.g. launching a completely new plant-based drink range. **Process innovation** changes how an existing product is made or delivered without changing what the customer receives — e.g. installing new espresso machines that prepare the same drinks 20% faster, primarily reducing labour cost and queue time rather than changing the drink itself.

Bài tập luyện tập

A car-parts manufacturer produces components in batches of 500 "just in case" demand rises, storing the excess as finished-goods inventory that often sits unsold for months. Which of the seven wastes of lean production does this best illustrate?

(A) Waiting
(B) Over-processing
(C) Overproduction
(D) Motion

Lời giải chi tiết

Producing more than is currently needed, resulting in unsold stock sitting idle, is the definition of **overproduction** (which also directly creates excess inventory waste). **(C)**.

Bài tập luyện tập

Explain how **Kanban** helps a lean manufacturer reduce the waste of overproduction.

Lời giải chi tiết

Kanban is a visual/card-based signalling system in which a new batch of production (or a new component delivery) is only triggered once it is actually needed downstream — rather than continuously producing to a fixed schedule regardless of real demand. This closely links production to actual, current demand (similar to JIT), preventing the business from building up unsold stock "just in case," which directly reduces both the overproduction waste itself and the excess-inventory waste it creates.

Bài tập luyện tập

[HL] A project has four activities: A (5 days, start); B (4 days, after A); C (6 days, after A); D (3 days, after both B and C). Calculate the EST and LST of each node, the float of each activity, and the critical path.

Lời giải chi tiết

Nodes: N1 (start); N2 (end of A, start of both B and C); N5 (the point at which both B and C are complete, since D needs both); N6 (project end, after D). Since D requires both B and C finished, $N5 = \max(N2 + B,\ N2 + C)$.

Forward pass: $N1 = 0$; $N2 = N1 + A = 0 + 5 = 5$; $N5 = \max(N2 + B,\ N2 + C) = \max(5 + 4,\ 5 + 6) = \max(9, 11) = 11$; $N6 = N5 + D = 11 + 3 = \boxed{14}$.

Backward pass: $N6 = 14$; $N5 = N6 - D = 14 - 3 = 11$; $N2 = \min(N5 - B,\ N5 - C) = \min(11 - 4,\ 11 - 6) = \min(7, 5) = 5$; $N1 = N2 - A = 5 - 5 = 0$.

Float: A $= 5 - 0 - 5 = 0$ (critical). B $= 11 - 5 - 4 = 2$. C $= 11 - 5 - 6 = 0$ (critical). D $= 14 - 11 - 3 = 0$ (critical).

Critical path = **A–C–D**, duration $= 5 + 6 + 3 = \boxed{14 \text{ days}}$. B has 2 days of float.

Bài tập luyện tập

[HL] Using the 6-activity CPA example from Section 5.6 (critical path A–B–D–F, duration 19 days, with C and E each having 6 days of float), explain **one** practical use management could make of activity C's float.

Lời giải chi tiết

Since activity C has 6 days of float, management could safely **delay its start by up to 6 days** (or slow it down/reduce the resources temporarily assigned to it) without affecting the project's overall 19-day completion time. This float could be used to temporarily reassign staff or equipment away from C and onto a critical activity (such as B or D) if that critical activity were at risk of falling behind schedule, without endangering the overall project deadline — provided C is still completed before its own late finish time.

Bài tập luyện tập

[HL] In the 8-activity CPA example from Section 5.6, the network has two parallel critical paths (A–C–F–H and B–E–F–H, both 20 days). Explain **one** risk this creates for project management compared with a network with only a single critical path.

Lời giải chi tiết

With two parallel critical paths, management must monitor and protect *both* chains of activities equally closely, since a delay to **either** path (not just one) will delay the whole project — this roughly doubles the number of activities that carry zero tolerance for delay, increasing the overall risk of the project overrunning and requiring more resources (supervision, contingency planning) to keep both paths on schedule simultaneously, compared with a project where only one chain of activities needs such close monitoring.

Bài tập luyện tập

A factory reduces waste by relocating its tool storage directly next to each workstation, cutting the time workers spend walking to fetch tools. Which of the seven wastes does this primarily address?

(A) Defects
(B) Motion
(C) Waiting
(D) Inventory

Lời giải chi tiết

Unnecessary physical movement by workers (walking to fetch tools stored far away) is the waste of **motion**. **(B)**.

Bài tập luyện tập

A clothing brand discovers that a key overseas supplier has been using underage workers in breach of local law. Explain **one** short-term cost and **one** long-term benefit of the brand immediately terminating the contract and switching to a verified, audited ethical supplier.

Lời giải chi tiết

Short-term cost: switching suppliers on short notice is likely to be disruptive and expensive — a new, audited supplier may charge higher prices (reflecting proper wages and working conditions), and the transition itself may cause temporary delays or quality inconsistencies while the new relationship is established.

Long-term benefit: the brand avoids severe reputational damage, consumer boycotts, and potential legal liability that could arise if the child-labour breach became public while it remained a customer of that supplier, and it protects/strengthens its standing with increasingly ethically-conscious customers and investors, which can support premium pricing and brand loyalty over time.

Bài tập luyện tập

A manufacturer currently sends 20 tonnes/month of production waste to landfill at $35/tonne. A new recycling contract would let it sell 75% of that waste for $20/tonne instead, for an upfront equipment cost of $18,000. Calculate the net monthly saving/gain after the change and the approximate payback period.

Lời giải chi tiết

Current cost: $20 \times \$35 = \$700$/month.

After change: recycled $= 0.75 \times 20 = 15$ tonnes, generating revenue $= 15 \times \$20 = \$300$; remaining 5 tonnes still landfilled at $5 \times \$35 = \$175$. Net monthly position $= \$175 - \$300 = -\$125$ (i.e. a $125/month net gain).

Improvement versus the original $700/month cost $= 700 + 125 = \$825$/month.

Payback period $= 18{,}000 \div 825 \approx \boxed{21.8 \text{ months}}$ (just under 2 years), after which the investment is a straightforward ongoing net financial gain in addition to its environmental benefit.

Bài tập luyện tập

Explain **one** reason a business's decision to invest in more sustainable (but more expensive) raw materials might still be commercially rational even where a cheaper, less sustainable alternative is legally available.

Lời giải chi tiết

Even where the sustainable input costs more today, the business may be protecting itself against future risk: stricter environmental regulation may make the unsustainable option illegal or far more expensive later (e.g. through a new carbon tax), reputational damage from using the unsustainable input could cause lost sales among an increasingly sustainability-conscious customer base, and using verified sustainable inputs may be a condition of retaining major customers, retailers or investors who now require it — so the higher short-term cost can be a rational investment in reducing longer-term commercial risk rather than a pure net cost.

Bài tập luyện tập

A hospital uses a matrix-like approach for staffing its operating theatres, forming small, cross-trained teams responsible for a complete category of surgery from admission to discharge, rather than having each specialist perform only one narrow task across many different patients. Which lean production concept does this best illustrate, and what is **one** likely benefit?

Lời giải chi tiết

This illustrates **cell production** — organising staff into small, multi-skilled teams responsible for a complete unit of work rather than one narrow, repetitive task passed along a long line.

Benefit: team members take ownership of the complete patient journey (improving quality and accountability, since problems cannot simply be blamed on "the next stage"), which can also improve staff motivation through more varied, meaningful work compared with a narrow, repetitive single task.

Bài tập luyện tập

A manufacturer with a maximum capacity of 20,000 units/month currently produces 19,200 units/month, running at 96% capacity utilisation. State **one** advantage and **one** disadvantage of operating at this very high level of capacity utilisation.

Lời giải chi tiết

Advantage: fixed costs (rent, machinery depreciation, supervisory salaries) are spread across almost the maximum possible number of units, minimising average fixed cost per unit and signalling efficient use of the firm's assets.

Disadvantage: with only 4% spare capacity (800 units/month), the manufacturer has very little ability to accept a sudden large new order, cope with a machine breakdown, or schedule routine maintenance without risking missed deadlines — and running machinery/staff this close to maximum output for a sustained period can also increase breakdown risk and staff fatigue.

Bài tập luyện tập

A business chooses to locate its new call centre in a country with lower wages but a workforce widely fluent in the company's main customer languages, rather than a country with even lower wages but limited language skills. Explain whether this decision prioritises a **quantitative** or **qualitative** location factor, and why it might still be the right choice.

Lời giải chi tiết

Workforce language skill is a **qualitative** factor (not directly measured in currency, though it has real financial consequences). Prioritising it over the lowest available wage cost (a quantitative factor) can still be the right choice because poor language fluency would likely damage customer satisfaction, increase call-handling time/errors, and raise the risk of lost future sales or higher customer churn — costs that, while harder to quantify precisely in advance, could easily exceed the wage savings from choosing the cheaper-but-less-suitable location.

Bài tập luyện tập

A national government introduces a strict new law banning a common (currently cheap) packaging material on environmental grounds, effective in two years. Explain **one** way an operations manager should respond now, rather than waiting until the deadline.

Lời giải chi tiết

The operations manager should begin now to **research, test and qualify an alternative, compliant packaging material** (checking cost, durability, supplier reliability and any production-line changes needed), and start renegotiating supplier contracts or investing in any new packaging equipment required — waiting until close to the two-year deadline risks a rushed, more expensive transition, a scramble for scarce compliant materials as the deadline approaches (as competitors face the same requirement simultaneously), and possible production disruption if a suitable, tested alternative has not been secured in time.

Ôn tập nhanh:

- **Unit 1 (Business organisation and environment):** Added value = giá bán − chi phí mua vào (không phải lợi nhuận); trách nhiệm hữu hạn chỉ áp dụng cho Ltd/PLC; SWOT phải liên kết với STEEPLE và dẫn tới khuyến nghị chiến lược cụ thể; [HL] EMV (decision tree) $= \sum$(xác suất $\times$ kết quả), luôn trừ chi phí ban đầu trước khi so sánh các lựa chọn.
- **Unit 2 (Human resource management):** Chain of command/span of control → cơ cấu tall (nhiều tầng, span hẹp) hay flat (ít tầng, span rộng); Taylor = tiền là động lực chính; Maslow = nhu cầu chưa thoả mãn theo bậc thang; Herzberg = hygiene factors (thiếu thì bất mãn, không tạo động lực) khác motivators (tạo động lực thực sự qua job enrichment); [HL] Handy: Power/Role/Task/Person, Hofstede: văn hoá quốc gia.
- **Unit 3 (Finance and accounts):** Lợi nhuận = doanh thu − tổng chi phí; công thức hoà vốn = chi phí cố định ÷ (giá bán − chi phí biến đổi/đơn vị); dòng tiền (cash flow) khác lợi nhuận (profit) — doanh nghiệp có lãi vẫn có thể phá sản vì thiếu tiền mặt; [HL] các tỷ số tài chính (khả năng thanh toán, hiệu quả, khả năng sinh lời, đòn bẩy) phải được so sánh theo thời gian hoặc với đối thủ/ngành mới có ý nghĩa.
- **Unit 4 (Marketing):** Marketing mix (7P): Product, Price, Place, Promotion, People, Process, Physical evidence; vòng đời sản phẩm (product life cycle) quyết định chiến lược marketing phù hợp ở từng giai đoạn; nghiên cứu thị trường sơ cấp (primary) và thứ cấp (secondary) bổ trợ cho nhau; [HL] định vị sản phẩm (positioning map) và các chiến lược định giá (price skimming, penetration pricing...) phải phù hợp với đối tượng mục tiêu.
- **Unit 5 (Operations management):** Công suất sử dụng = sản lượng thực tế ÷ sản lượng tối đa × 100; QC (kiểm tra cuối) → QA (kiểm tra từng công đoạn) → TQM (văn hoá toàn công ty, zero defects); điểm đặt hàng lại = (tốc độ dùng × thời gian chờ) + tồn kho đệm; [HL] EOQ $= \sqrt{2DC_o/C_h}$; [HL] CPA: float = LST(kết thúc) − EST(bắt đầu) − thời lượng, float $= 0$ là hoạt động găng (critical), đường găng quyết định thời gian hoàn thành dự án ngắn nhất.

Đồng hành cùng 8020 English

Cảm ơn bạn đã học cùng bộ giáo trình quốc tế 8020. **Điểm thật · Thầy thật · Kết quả thật** — nhiều học viên chỉ cần 1–2 khoá để đạt kết quả mong muốn.

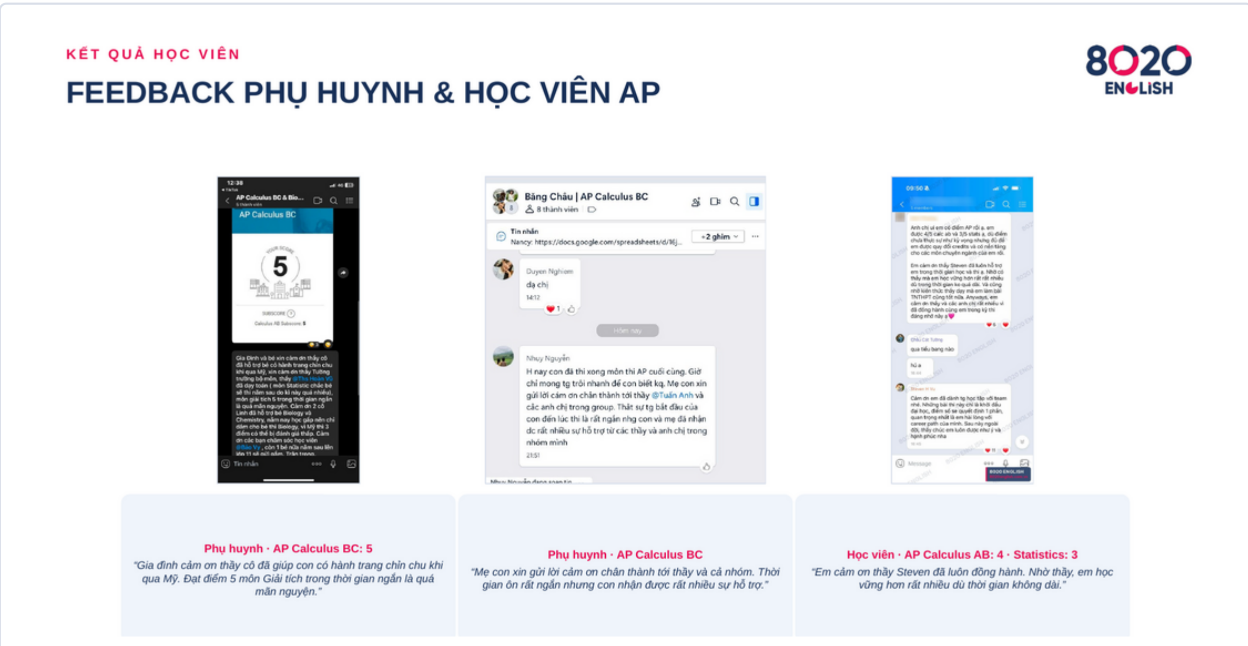
Cảm nhận học viên & phụ huynh

> *"Bạn đã cải thiện được tư duy Writing — kỹ năng từng là nỗi sợ lớn nhất — và cuối cùng đã đậu vào trường top như mong muốn. Thái độ học tập cực kỳ nghiêm túc; ngay cả khi nằm viện vẫn cố gắng học đều đặn."*
>
> — Phan Thị Thanh Hằng · IELTS Overall 8.5

> *"Cần tất cả kỹ năng trên 7.5 để xét vào trường top 1 Anh Quốc về Y học (chương trình UKFPO của NHS) — và đã đạt mục tiêu sau khi học Writing 1–1."*
>
> — Trần Hoàng Bảo Ngọc · IELTS Overall 8.0 (Writing 6.0 → 7.5)

> *"Gia đình và bé xin cảm ơn thầy cô đã giúp con có hành trang chỉn chu khi qua Mỹ. Đạt điểm 5 môn Giải tích trong thời gian ngắn là quá mãn nguyện."*
>
> — Phụ huynh · AP Calculus BC 5/5

> *"Em cảm ơn thầy đã luôn đồng hành. Nhờ thầy, em học vững hơn rất nhiều dù thời gian ôn không dài."*
>
> — Học viên · AP Calculus AB 4



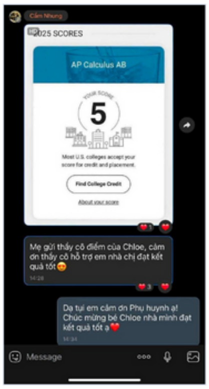
Feedback phụ huynh & học viên AP — nhiều môn đạt điểm 4 & 5

Điểm thi thật của học viên

KẾT QUẢ HỌC VIÊN

ĐIỂM SỐ AP

AP Biology: 4 · AP Chemistry: 4



AP Calculus AB: 5

AP Calculus BC: 5

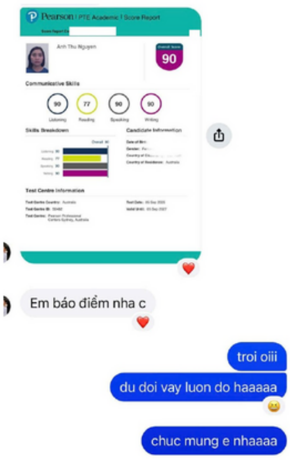
AP Chemistry: 5

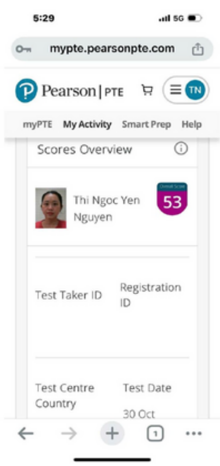
Bảng điểm AP thật của học viên – nhiều môn đạt điểm 4 & 5

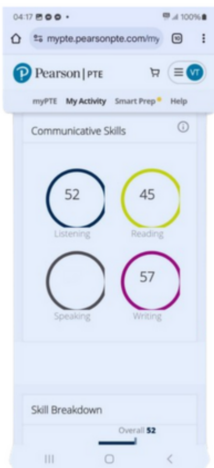
Bảng điểm AP thật — Calculus AB/BC 5/5 · Biology & Chemistry 4–5 (College Board)

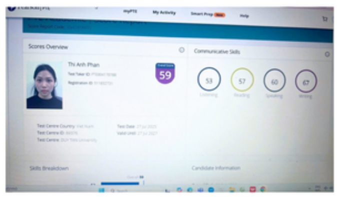
KẾT QUẢ HỌC VIÊN

ĐIỂM SỐ PTE







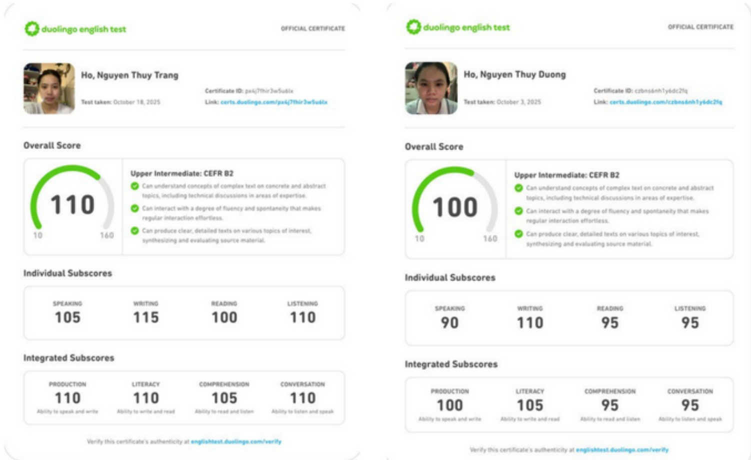


Bảng điểm PTE thật của học viên

Học viên 8020 — PTE Academic 90

KẾT QUẢ HỌC VIÊN

ĐIỂM SỐ DUOLINGO



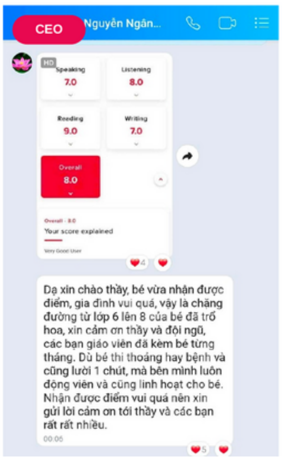
Duolingo English Test – 110 & 100

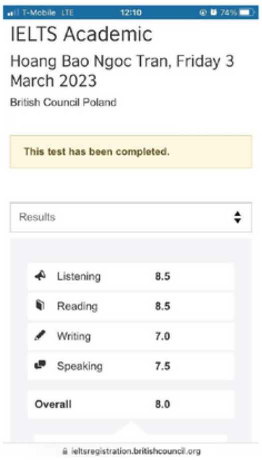
Học viên 8020 — Duolingo English Test 110 & 100

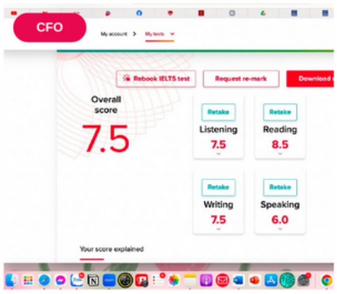
KẾT QUẢ HỌC VIÊN

THÀNH TÍCH HỌC VIÊN

Bảng điểm thi thật – chất lượng được giám sát nghiêm ngặt. Một số học viên chỉ cần 1–2 khóa để đạt kết quả mong muốn.







Học viên 8020 — IELTS 8.0 / 7.5 / 8.5 (báo điểm thật)