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INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

This document has **4** pages.

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Sateja's Business College (SBC)

SBC is a private limited company, based in Asia in country X. It is owned by Sateja and her family. The nine shareholders are directors and work within the SBC organisation.

SBC owns and operates colleges in five major cities in country X. These colleges specialise in Business and Technology courses for students of a range of ages and abilities. During the day, the colleges run vocational (work-related) courses to improve business and technology skills. Employers pay for their employees to attend these courses to improve their efficiency in the workplace. In the evenings, there are also academic tutoring sessions for local school students who want to improve their grades in IGCSE and A Level Business, Economics and Accounting. SBC regularly introduces new and updated courses to meet the changing needs of their target markets.

The qualifications and certificates that students receive at the end of these courses are widely recognised and highly valued by businesses and government organisations in country X.

Economic environment

The structure of the economy in country X has changed over recent years. Traditional manufacturing industries have declined in importance and many more jobs are now in service and technology-based industries. This change has led to high unemployment among low-skilled workers who were previously employed in labour-intensive manufacturing. Economic growth has been 3% per year for the last three years and inflation is currently 2.5%. The government of country X has made significant investment in new technological infrastructure to improve internet access and mobile network coverage. The government has a policy objective to improve technology skills and encourage entrepreneurship. Small amounts of finance are available, as grants, to new entrepreneurs for business start-ups, subject to the approval of their business plans.

Marketing

SBC's mission statement is to be 'the first choice for Business and Technology courses in country X'. SBC promotes its courses to businesses and individuals through newspaper advertisements, leaflets and direct mail. Many businesses are loyal customers who send employees on SBC courses every year. Word of mouth recommendations are also a good source of customers, especially school students who hear about the 'grade booster' courses from their classmates.

Sateja would like to develop and launch a new SBC website to enable customers to book and pay for courses online. She would also like to start using social media to keep in contact with customers. The cost of these technological developments is estimated to be $250 000, to be financed by further bank loans.

Finance

SBC has grown quickly over the last three years. Growth has been financed by bank loans and reinvesting profit, and shareholders have had to accept low dividends. The cost of purchasing buildings for new colleges has been high, because these are located in cities' central business districts (CBD). Sateja now wants to investigate whether to change SBC to a public limited company, in order to raise more finance for new projects. Financial data for SBC is shown in Table 1.

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Table 1: Financial data for SBC

	Actual data for 2020 ($m)	Forecast data for 2021 (without new projects) ($m)
Revenue	9.5	10.5
Maintenance costs (technology and buildings)	0.5	0.6
Labour costs	6.2	7.5
Marketing and administration costs	0.3	0.4
Other expenses	1.1	1.1
Non-current liabilities	6.5	6.6
Capital employed	12.1	12.6

A government contract

SBC has been offered a five-year government contract. SBC will be paid $0.5m per year to provide a basic two-hour Business Technology training course to 25 000 individuals each year. The courses will take place across its five colleges in the major cities. Potential students will need to apply for a place on these government-supported courses. SBC will need to equip and maintain one new technology room at each college, to meet this increase in demand. Sateja is in favour of accepting the government contract. However, the Finance Director has pointed out that the current revenue per student from existing customers is $25 per two hour session. The estimated costs and revenues for the government contract are shown in Table 2.

Table 2: Estimated costs and revenue for SBC from the proposed government five-year contract.

Number of students per year	25 000
Total technology rooms set-up costs	$90 000
Yearly estimated maintenance costs	$15 000
Variable costs (based on a two hour session)	$18
Revenue per student	$20

Workforce planning

SBC employs most of its existing tutors on part-time contracts, paid per hour worked. This keeps labour costs low, but can cause problems because tutors often work for more than one employer. Therefore, tutors are not always available to teach extra hours for SBC if required. There is also increasing competition for tutors from other colleges. This makes it difficult for SBC to maintain high-quality tuition. Sateja would like to offer permanent full-time contracts to her best tutors. SBC will also need to employ more Business Technology tutors if the government contract is accepted. Sateja is considering employing recent college graduates as trainee tutors.

Strategic growth options

Sateja and her directors would like to expand the company further. They are considering two possible options.

Option A: Online training
Develop and introduce a new course and qualification in Entrepreneurship and Business Planning. This would be aimed at individuals in country X, who want to start their own business. This course would be delivered and completed online and would therefore be available to those living outside the big cities.

Option B: Joint venture in country Y
Enter into a joint venture with an education social enterprise business located in neighbouring country Y. This is a less economically developed country with a low-income population, and a number of different languages are spoken. This project would involve the setting up of two new colleges, to offer SBC Business and Technology qualifications.

Sateja realises that SBC will need to make a choice between the two options because it will not be possible to carry out both projects in the short-term.

Sateja prefers the joint venture, but in order to make this choice she will present her research, using strategic choice techniques, for both options (see Appendix 1) at the next board meeting. Directors will then vote for their preferred investment.

Appendix 1: Extract from Sateja's research for Options A and B

	Option A Online training	**Option B Joint venture in country Y**
Initial cost to SBC	$1.5m	$3m
Estimated payback period	3 years	5 years
Main driving forces	• SBC expertise in delivering courses and qualifications • Evidence from research of interest in entrepreneurship courses	• Social enterprise business has expertise in education • Low competition from existing colleges in country Y • Possible government subsidy for social enterprise business
Main restraining forces	• Reliance on internet infrastructure • SBC lack of experience of delivering online courses	• SBC lack of knowledge and experience in country Y • Likely change of government in country Y in 2022
Estimated chance of success	0.7	0.6

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