Centre Number						Candidate Number				
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Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	

General Certificate of Education
Advanced Level Examination
January 2011

Applied Business BS12

Unit 12 Managing People

Monday 24 January 2011 1.30 pm to 3.00 pm

You will need no other materials.

Time allowed
- 1 hour 30 minutes

Instructions
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information
- The marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(d), 2(c) and 3(d) should be answered in continuous prose. In these questions you will be marked on your ability to:
  - use good English
  - organise information clearly
  - use specialist vocabulary where appropriate.

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Answer **all** questions in the spaces provided.

1 Read **Item A** and then answer the questions that follow.

Item A

Seaside Eating and Takeaways Ltd

Seaside Eating and Takeaways Ltd (*SET*) runs cafés on the East Coast of England. It was started in 2004 by Bill Fuller and, initially, had seven staff and one café. Since then, Bill has expanded the business to four sites in three neighbouring seaside towns and employs 48 staff. Bill still manages all four sites and visits every site at least once a day, usually staying only an hour to give orders and to address immediate problems.

The business has a very flat organisational structure with all staff reporting directly to Bill who is adamant that he does not need any managers. As the owner of the business, Bill believes that he has to make all the decisions to safeguard its future. Recently, Bill has become increasingly stressed and bad tempered as he is trying to manage all four sites. He is making some basic mistakes, such as forgetting to order stock in time, which means that the cafés often run out of ingredients.

To attract the best people, Bill pays all his staff 10% more than his competitors. He has kept all staff on the same wage level, with an annual review to ensure that he is still paying 10% above his competitors. Bill is ambitious to expand the business but, whilst he had previously found it easy to find enough staff, this began to change in 2010. This followed the opening of a large new tourist attraction, which recruited 12 junior managers and over 120 other staff. Five of Bill's former staff have joined the rival employer as management trainees, and their reason for moving was summed up by Angela Lake who said:

"I had worked for Bill since he started his business and I am proud at how quickly the business grew when I was there, but Bill never let us make any decisions and it did not matter how hard I worked I was still paid the same."

Angela said that Bill's approach to managing them was odd considering that one of his heroes was Richard Branson. She suggested that Bill should read the following quote from Richard Branson:

"Managers often assume it's a question of pay. This is lazy of them. Yes, money is important. It's essential to pay people fairly for the job they do, and to share out the profits of a company's success. But throwing money at people isn't the answer. When people leave a good company, it's often because they don't feel good themselves. They feel marginalised. They feel ignored. They feel underused. Few people spend every spare hour scouring the jobs pages hunting for a higher salary. Most are driven back into the jobs market by frustration. Their bosses don't listen to them."

Source: Quotation from *Business Stripped Bare* by Richard Branson, published by Virgin Books. Used by permission of the Random House Group Ltd.

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1 (a) What is meant by a 'flat organisational structure' (line 7)?

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1 (b) Using **Item A**, explain why Bill initially found it easy to recruit staff.

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1 (c) Using **Item A**, analyse how Bill's leadership style affects his ability to retain staff.

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1 (d) To what extent are Richard Branson's opinions (lines 27 to 34) relevant to *SET*? Use **Item A** to justify your answer.

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2 Read **Item B** and then answer the questions that follow.

Item B

A new management team at SET

During September 2010, Bill became worried that staff were leaving to work at the new tourist attraction. He decided to change the management structure of the business and appoint a manager for each café. These new managers would be responsible for the day-to-day running of the cafés.

Bill advertised the positions, giving existing staff seven days to apply. As soon as he received the applications he quickly appointed four new managers. Bill told them that staff performance and customer service had to improve to enable the cafés to compete with the new tourist attraction. The managers all received an immediate 20% increase in salary and were promised a bonus if their café's profits increased.

During the autumn of 2010, it became clear that the other staff did not think that Bill had chosen the right managers. Several staff complained to Bill that they were on holiday at the time and had not been given the opportunity to apply for promotion. Some of the longer serving staff began to question the managers' authority. This made it difficult for the new managers to motivate their staff.

Bill told the managers that they needed to be more direct and tell their staff what to do. He thought that if they did this then the complaints from those who had not been promoted would soon disappear. When the managers tried to implement this it only made matters worse. Staff performance fell and a further three staff left to work at the new tourist attraction. The managers realised that they would not receive their bonus unless they could find a way to motivate their staff.

2 (a) Using **Item B**, explain **two** functions of the new managers.

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2 (b) Using **Item B**, analyse why some staff are demotivated.

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2 (c) How might the new managers deal with the problems caused by the lack of motivation shown by some of the staff? Use **Item B** to support your answer.

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3 Read **Item C** and then answer the questions that follow.

Item C

Cranley Foods Ltd

Cranley Foods Ltd, supplies chilled ready meals to supermarkets. The business, set up by Elena Brown in 2008, quickly established a reputation as a reliable supplier of quality meals and now has 153 staff.

As the chilled ready meals market is very competitive, Elena introduced a system of statistical process control in early 2010 to improve business performance. Each team in the business, eg cooking, cold store, dispatch, is given targets. These are monitored and the staff are then paid bonuses if the targets are met.

The statistical process control system ran smoothly for six months but, recently, there have been some problems. Some teams have begun to realise that they are failing to hit their targets because other teams have not met their targets.

For example, the dispatch team, which has targets to load lorries to send to customers, failed to meet its 'dispatch on time' target in December 2010. This was because the packaging team had some new staff who made mistakes on two big orders, and this had led to the orders being dispatched late. When this problem was raised with Elena, her response was that it was up to the staff teams to sort it out between themselves.

In a meeting last week, the dispatch team told Elena that they needed more management support to make sure that all the teams worked together rather than each team focusing just on its own targets. They suggested that Elena could not rely on statistical process control as a management system and want her to implement a stronger management team so that they are not penalised because of mistakes made by other teams.

Lucy Manning, one of the marketing managers, suggested that a matrix structure should be used. Each team in the matrix structure would take control of one type of food from cooking to dispatch. Barry Cooper, an operations manager, disagreed with Lucy. He thought that a matrix structure would be too complex and may reduce performance. He thinks that the problem is caused by relying on statistics to manage performance and does not believe that changing the management structure can solve this. Instead he has said that they should make more use of the current management team and trust them to make decisions to solve problems quickly between the teams.

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3 (a) Using **Item C**, describe what is meant by a 'matrix structure' (lines 23 to 26).

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3 (b) Using **Item C**, explain why relying on statistical process control was not sufficient to ensure that the teams met their targets.

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3 (c) Using **Item C**, explain how a matrix structure could be used to improve the way the teams work together.

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3 (d) Do you agree with Lucy's **or** Barry's suggestions on the best way to improve the management of *Cranley Foods Ltd* (lines 23 to 31)? Use **Item C** to justify your answer.

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END OF QUESTIONS

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