Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use

General Certificate of Education
June 2008
Advanced Level Examination

APPLIED BUSINESS **BS12**
Unit 12 Managing People

Friday 13 June 2008 9.00 am to 10.30 am

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. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

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

For Examiner's Use			
Question	Mark	Question	Mark
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Answer **all** questions in the spaces provided.

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

Item A

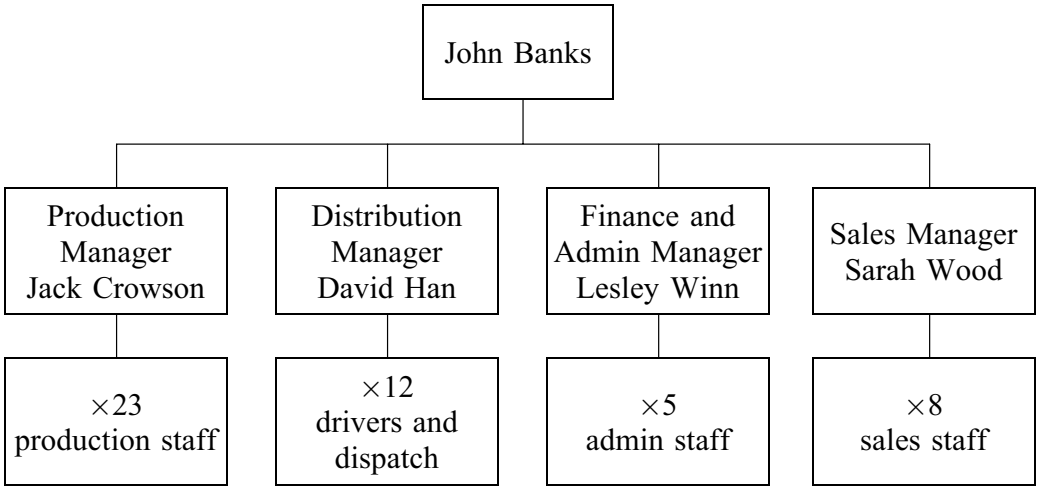
Solarfirst

Solarfirst is a company formed in 2001 by John Banks to manufacture and supply solar water heating systems direct to the public. It has expanded very rapidly since 2005 when the government launched new grants to encourage people to cut their carbon dioxide (CO_2) emissions by using renewable solar energy.

The government had debated the new grants for nine months before they were introduced. The new grants increased the market for solar water heating by 450% in their first year. Unfortunately, John had been too busy running his business to pay much attention to the debate on the grants, so when they were launched, it took him by surprise.

To meet with the increased demand, John reacted by employing more staff. Between spring 2005 and autumn 2007, the staff increased from 18 to 53. Until 2005, John had managed all aspects of the business himself using an autocratic style. However, soon after the expansion started, John realised that he could not manage the enlarged business on his own and eventually, in July 2007, he introduced a new organisational structure to try to cope with the much larger business.

The organisational structure now consists of four departments, each with a manager.



The development of the new organisational structure has not gone smoothly. In spite of personally leading the introduction of the new layer of management, John has found it particularly hard to let the new managers have authority over their departments. He has bypassed the managers by giving instructions directly to the staff. This has caused the staff to be confused and their managers to be frustrated.

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1 (a) Using **Item A**, explain why John Banks introduced a new organisational structure.

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1 (b) Explain **two** problems with John's approach to management.

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1 (c) Using **Item A**, analyse why it is necessary for John to change his leadership style.

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

Item B

Solarfirst's Sales Team

Sarah Wood, the new Sales Manager at *Solarfirst*, has worked in sales for 15 years. Since she joined, sales have risen by 50% in nine months as a result of better marketing. Sarah is a strong believer in teams and has made it clear to John that he should let her department decide how to increase sales.

John, however, is unhappy with Sarah's participative leadership style and is also unhappy that he has no input into the department. Issues came to a head recently when John blocked Sarah's attempts to introduce a new reward-based payment scheme for the sales staff.

Sarah believes that the market will become much tougher as it matures. She is convinced that *Solarfirst* must pay each member of the sales team a small basic salary plus a bonus for each sale they make.

At the moment, John pays all members of the sales team a fixed salary and the only reward is an annual trip to Disneyland Paris for the salesperson who sells the most heating systems each year.

Sarah's argument with John ended when he told her that the staff should be motivated not by money but by working for a business which was saving the planet. Sarah exploded at this and told John that he had to "grow up and recognise that he was not running an environmental charity". She added that *Solarfirst* was a fast growing business which had to operate professionally and pay its sales team on results in order to maintain its growth.

Sarah has offered to resign and has told John that unless he supports her in the introduction of the new payment scheme, she will leave the company within a month. Four of the sales team have also said that if Sarah leaves, they will go as well, as they enjoy working for her.

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2 (a) *Solarfirst* needs to make a decision about whether to introduce a new payment scheme for the sales department.

Explain why this is a strategic decision.

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2 (b) John is concerned at his lack of authority over the sales department. Sarah has threatened to resign if he blocks her idea of a new payment scheme.

Analyse why, despite his power, John is unable to exert his authority over Sarah.

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2 (c) Discuss the possible implications to the business if John decided to implement Sarah's proposed new pay scheme for the sales team.

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

Item C

Reeves Restaurants Limited

Reeves Restaurants Limited is a small chain of four successful restaurants in the Midlands. It has recently acquired a fifth site, a rundown hotel on the edge of the Peak District National Park. Jill Reeves, the owner of the restaurant chain, decided that there was great potential to develop a restaurant overlooking the beautiful countryside.

In early January 2008, Jill concluded the purchase of the new site. The following week, Jill announced in the monthly meeting of her management team that the new restaurant would be open for the start of the season at Easter.

Jill's management team includes her four existing restaurant managers, her Head of Human Resources and her Financial Manager. Previously, Jill has used a very participative management style and has discussed all developments with the management team. On this occasion, however, she had simply gone ahead and made plans to develop the new site without any consultation.

At the meeting, her management team was amazed that Jill had thought that the new site could be ready for Easter as it needs a major refurbishment programme. The electrical wiring and the plumbing need replacing and the whole site needs redecoration and landscaping. The business will also need to recruit and train 21 staff ready for the opening in just over 10 weeks' time.

Jill told her management team that she had already appointed an external project manager who would use critical path analysis to manage the project until its opening at Easter.

Jill also told her management team that she intended to empower the staff at the new site by running weekly meetings at which they could contribute towards decisions. If this proved to be successful, she wanted to extend this approach to the existing restaurants in the group. The existing restaurant managers are worried about this and feel that Jill is trying to take away their power.

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3 (a) Jill is introducing many changes to the business in a short period of time. Analyse the impact that this may have on the motivation of the restaurant managers.

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3 (b) Discuss the suitability of using critical path analysis as part of the project management to ensure that the new restaurant opens at Easter.

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3 (c) Three months after the opening of the new restaurant, Jill has reviewed the policy of empowerment of the restaurant staff with her Head of Human Resources. They have concluded that the policy should be extended to all the other restaurants in the group.

Discuss the actions Jill could take to ensure the successful implementation of this policy.

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END OF QUESTIONS

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