OCR
Oxford Cambridge and RSA

Wednesday 22 June 2016 – Afternoon

A2 GCE BUSINESS STUDIES

F295/01/RB People in Organisations

RESOURCE BOOKLET

Duration: 2 hours

To be given to candidates at the start of the examination

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INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–6 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- The information contained within this Resource Booklet is based on one or more real businesses.
- This document consists of **4** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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MARTIN'S TOYS LTD (MTL)

Martin's Toys Limited (MTL) is a toy retailer operating in the North East of England. It was founded in 1995 by Nigel Martin when he opened the first shop. Initially the business was very profitable and Nigel opened three additional shops within five years. Increasing competition from larger chains and online retailing has, however, reduced the company's market share. The years following the downturn in the economy in 2008 did not help MTL.

In 2011 attempts were made to change the image and direction of the business. Nigel had decided that the way forward was for all of the shops to start selling bicycles and radio-controlled toys. After an initial surge of enthusiasm, demand for both of these products collapsed at all four shops and this caused problems. These products take up a lot of valuable space, and finance invested in stock cannot be used for other purposes.

MTL made its first ever loss in the first quarter of 2014. When Nigel became ill at the end of that year he retired from his post as Managing Director and sold his 55% shareholding in the company to his brother, Karl. The rest of the equity is owned by 16 other people who are Nigel's friends and family. None of the shareholders, including Karl, have ever played an active role in the day-to-day running of the company and most of them have not attended the Annual General Meeting (AGM) for many years.

In December of last year, when it became obvious that he was facing an increasingly poor return on his investment, Karl demanded action and instructed the board's two directors, Paul Chicksen (Finance) and Jane Venner (Marketing), to 'do something urgently about the situation'. Jane, who had also been acting temporarily as the Managing Director, recruited Nic Robinson, a management consultant, in March of this year on a three year contract with a view to 'turning the business around'. The strategic objectives Nic has set for MTL are to improve efficiency and improve shareholder value. As well as being the new Managing Director, Nic is also in charge of Human Resources.

Nic has recently undertaken a major review of MTL's whole operation and his main conclusion is that it could operate much more profitably by using its friendly advice and personal service as a Unique Selling Point (USP). This is impossible at present for five reasons:

- the company's current product range is outdated
- management in all the shops is autocratic and uninspiring
- annual labour turnover averages 29%
- ineffective communication between and within shops leading to issues such as poor stock control, poor reporting of data to the board of directors, and inconsistencies in the implementation of human resources policies
- shop 4 (which has a high street location) has costs which are much higher than the other three, hardly ever makes a profit, and has the worst figures for labour turnover and absenteeism.

In Nic's view radical action is urgently needed if the business as a whole is to meet its objectives. He has a number of proposals in mind that he intends to put to Paul and Jane at the next board meeting. These are:

- the immediate closure and sale of shop 4
- extend the opening hours of the remaining three shops
- stop selling bicycles and radio-controlled toys, along with a major review of the other products sold by MTL
- the introduction of console and computer games (Nic had been amazed to discover that MTL does not sell these).

A key element of Nic's proposed changes involves human resources. Currently all employees work a 35-hour week; '9 to 5' Monday to Saturday with one of those days off. The shops do not currently open on a Sunday. Nic intends that the shops will open from 9 am until 8 pm Monday to Saturday and 11 am until 5 pm on a Sunday. Existing staff will still work for 35 hours, although they will be expected to work all days of the week on a rota, and no longer on a '9 to 5' basis. New part-time employees will need to be recruited.

As the shops will be open for longer, Nic's plan is that there will be two shifts a day in each shop. One will be headed by the manager and the other by the assistant manager. Nic's view is that employees working in groups would be beneficial for MTL. Instead of the manager simply telling employees what to do, each shift would organise itself as a work group with the manager acting more as a 'team leader'. Employees within the groups would be empowered to make their own decisions and there would be a short, formal meeting for a review of the shift at the end of it.

Nic wants to use the funds from the sale of shop 4 in several ways. First, to repay some of the outstanding capital to the bank for a loan taken out in 2011. Second, to launch the sale of console games. The remaining shops would need to be redesigned and refitted and the staff better trained. In Nic's view MTL has often been something of a training-free zone in the past and, with all the likely changes, he thinks training is going to be essential for the future success of the business. He has undertaken a Training Needs Analysis (TNA) and conducted some cost and benefit calculations. He has estimated that a 15% increase in the firm's training budget (currently a total of £4300) would increase productivity and help improve on the profit levels shown in Table 1 for shops 1, 2 and 3 by 20% once the new products are in place.

Breakdown of MTL's profit

Shop	Profit for 2015
1	£10500
2	£9000
3	£11000
4 (high street location)	£6000

Table 1

Nic also wants to make sure that after the changes have taken place, the employees at MTL will be working as efficiently as possible and he intends to introduce a system that will measure employee performance via a range of different workforce performance data.

He knows that his ideas are unlikely to be popular with MTL's staff and so he intends to try to minimise any disruption by redeploying employees from shop 4 to the other shops. Where this is not possible he is going to offer generous redundancy and early retirement packages to those affected. He also plans to introduce some sort of annual bonus based on the level of company profits.