

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 2010

# Applied Business

# BS12

## Unit 12 Managing People

Monday 25 January 2010 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. 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 marks for questions are shown in brackets.
- The maximum mark for this paper is 80.
- Questions 1(c), 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.



J A N 1 0 B S 1 2 0 1

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

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

**Item A**

**London Organic Vegetables Express Ltd**

*London Organic Vegetables Express Ltd (LOVE Ltd)* was founded in 2000 and enjoyed rapid growth as the demand for organic vegetable boxes grew. By 2007, it had 12 depots serving southern England and employed 168 staff.

During this period of expansion, the owner, Ben Jones, had used a participative leadership style. The depot managers were encouraged to express their ideas on how the business could be improved. 5

The arrival of the credit crunch in 2008, however, led to many consumers reducing their expenditure on non-essential goods and, by 2009, *LOVE Ltd* saw its sales decline by 30%.

In October 2009, *LOVE Ltd* was on the verge of bankruptcy and the bank was refusing to lend it any more money until Ben provided a new business plan to show how he could get the business back on track. Ben's plan outlined major changes to the business through an immediate cost-cutting programme which would close four depots and make 47 staff redundant. 10

Whilst staff had been aware for some time that the business was suffering a major downturn in sales, Ben had not told any of his staff how serious the position was. 15

At a meeting on the 16 November, Ben announced the proposed changes to the business plan to the depot managers. They immediately asked why they had been kept in the dark about these changes. 20

Ben's attempt to reassure the depot managers caused more problems when he said that, as owner, he had to make hard choices so that the business could survive, and he knew that they would have opposed the planned cuts anyway. The depot managers replied angrily that they could have saved money if Ben had consulted them sooner, and they now found it hard to trust him. 25

Ben accepted their concerns and promised that he would revert to a participative leadership style again in the future.



1 (a) (i) Explain what is meant by a ‘participative leadership style’ (lines 4–5).

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1 (a) (ii) Using **Item A**, explain **one** benefit to *LOVE Ltd* of using a participative leadership style.

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1 (c) Ben has assured the depot managers that he will adopt a participative leadership style in the future.

To what extent do you think that Ben’s assurance will rebuild the depot managers’ confidence in him?

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

### Item B

#### A new organisational structure for LOVE Ltd

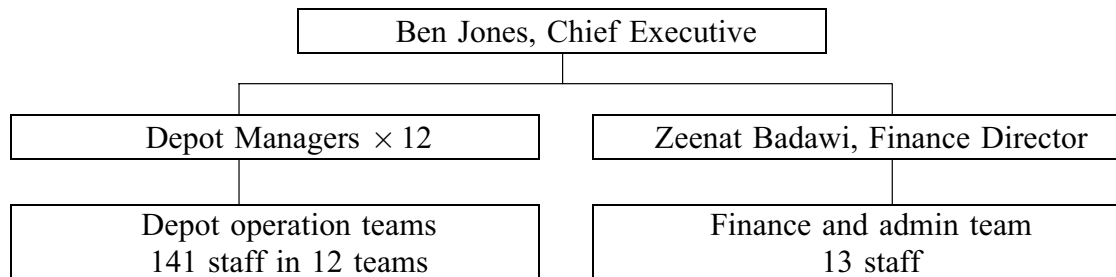
Until 2009, the organisational structure of *LOVE Ltd* (**Figure 1**) had been entirely focused on day-to-day operations and was designed to cope with the rapid growth. As part of Ben's recovery plan and to stop the decline in sales, Ben believes that he has to devote more time to strategic planning, such as product development to increase sales.

In December 2009, Ben finally revealed plans for a new organisational structure (**Figure 2**). Under this plan, Ben had decided to remove all the depot managers and to replace them with two Area Directors, a Team Leader at each remaining depot and a new post of Finance Manager.

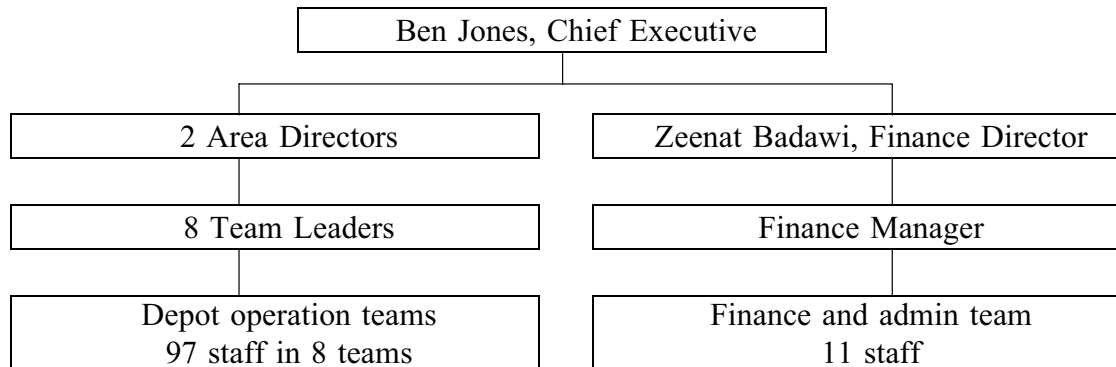
Ben hopes that the new structure will allow his senior management team, consisting of himself, Zeenat Badawi (the Finance Director) and the two Area Directors, to concentrate on strategic planning. The eight Team Leaders and the new Finance Manager would manage the day-to-day operation of the business and deal directly with frontline staff.

Zeenat has, however, expressed concern that her priority must be to concentrate on balancing the books to make sure that the business can continue to trade. Whilst she agreed that the business needed to develop a new strategic plan, she stressed to Ben that plans for the next five years were useless if the business could not pay its bills in the next five weeks.

**Figure 1: Old organisational structure**



**Figure 2: New organisational structure**





2 (a) The plan proposed by Ben will introduce a new layer into the organisational structure.

Explain the impact that this may have on communication between the depot staff and the senior management.

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

**Item C**

**Performance Clothing Technology Ltd**

*Performance Clothing Technology Ltd (PCT)* is a small, specialist research-led company which manufactures sports clothing fabrics. It uses a new fabric, 'fabtech cool', which keeps athletes cool and reduces muscle cramp.

*PCT*'s owners, Jacques and Mary Goupillon, started the business using the expertise they had in fabric science, but they had little knowledge of business and they have struggled to manage their staff. However, their current team of five staff have been happy to work for Jacques and Mary who they regard as being at the cutting edge of an exciting new technology.

*PCT* has now managed to secure contracts with several major high street clothing companies to use its groundbreaking fabric. These companies are intending to use 'fabtech cool' in a range of sportswear for the public, using endorsements from successful athletes to promote it.

The expansion in demand for *PCT*'s fabrics has, however, put real pressure on its existing manufacturing capacity in Kent, and Jacques and Mary believe that a new production line is essential to allow *PCT* to meet demand.

*PCT* has been offered a factory unit in a technology park in South Wales, 200 miles from its current site. Moving to the new factory will also give *PCT* the opportunity to secure a government loan from the Welsh Development Agency as it plans to create an extra 23 jobs. The existing five staff would all be guaranteed promotion to help to manage the enlarged business.

To help *PCT* plan the relocation, Jacques believes that they should use critical path analysis to make sure that the move can be accomplished with the minimum of disruption by September 2010. The move will involve relocating the existing staff and equipment, whilst also fitting out the new factory and recruiting additional staff. The move must be completed as quickly as possible to keep customers happy.



3 (a) Describe the type of decision which Jacques and Mary made in deciding to relocate the business.

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3 (b) Explain whether Jacques and Mary can rely upon their expert power to manage the larger team at the new location.

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**END OF QUESTIONS**



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