

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced GCE

BUSINESS STUDIES

2879

Business Thematic Enquiry

Friday **20 JANUARY 2006** Afternoon 1 hour 30 minutes

Additional materials:
8 page Answer Booklet

Candidates may use calculators in this examination.

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the spaces provided on the answer booklet.
- Complete both tasks.
- Write your answers on the separate answer booklet provided.
- If you use extra sheets of paper, fasten these sheets securely to the answer booklet.
- Read the tasks carefully and make sure you know what you have to do before starting your report.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each task.
- The total number of marks for this paper is 90.
- You will be awarded marks for the quality of your written communication.

This question paper consists of 4 printed pages.

Craddock Casuals Ltd (CCL)

Craddock Casuals Ltd (CCL) is a company based in a small market town in Devon. It employs 125 people, 96 of whom are women, working on the shop floor producing and packing men's casual clothing. 90% of the company's production is for one large retail chain.

In the last six months the firm has struggled to meet its target output. Deliveries to its major customer have twice been delayed. The customer has threatened to cancel its order. This is a serious problem because the customer could be lost and CCL would not survive. Richard Simmons is the Managing Director and he and his assistant, Kimberley Watson, have researched the situation to diagnose the problem and analyse possible solutions. Kimberley is presenting their findings to the other directors of the company. 5
10

The Problem

Production costs have risen by 2% in the last five months (see Table 1). The company is struggling to meet orders on time and has lost three small customers through failure to deliver on time. The main customer will be lost if targets for the next six months are not met. 15

Increased absenteeism has meant that hours lost in the last five months have increased by 2500 as compared with the same period last year. There has been a steady rise in labour turnover since August 2005. This has both slowed production and increased costs. The increased costs are shown in Table 1.

Table 1: Additional Costs August–December 2005 20

	£	
Overtime	32,750	
Recruitment	6,000	
Training	9,250	
Administration	9,000	25
Increased quality control	12,000	
Penalties for late delivery	21,000	
Total	90,000	

The Causes

Whilst a small rise in lateness and absence may be attributed to the season of the year, the unnaturally high rise has been confined to a group of 24 employees, all of whom have children under school age. Further research has shown that child care facilities which the employees previously used in the town have been closed. Alternative facilities are further away and difficult to use without being late for work. From time to time, some employees, realising they were going to be very late, have taken the day off. Since it is impractical to refuse employment to women with young children, a way to solve this problem must be found to ensure the survival and continued profitability of the company. There are two options which the directors are being asked to consider. 30
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Option 1: Opening a child care facility on site

There is suitable accommodation within the factory to establish a permanent crèche. The costs are estimated to be: 40

	£	
Preparing and resourcing the facility	24,000	
Recruiting and training the staff	10,000	
Annual running costs	120,000	45

Kimberley estimates that this facility would bring labour turnover back to target levels and reduce absenteeism by 75%. It could increase morale and make subsequent recruitment easier.

Richard asks the directors to consider the extent to which the cost of the crèche should be passed on to the employees. The Human Resource Manager is concerned that providing the facility free of charge might provoke problems among the other workers. The average cost, to employees, of the child care facilities they were using in the town was £75 per child per week. To provide the facilities free of charge for them would, effectively, be a significant pay rise. 50

Option 2: Flexible Working Hours 55

Before these problems of lateness, absenteeism and high labour turnover arose, the directors had already decided to switch from a combination of batch and flow production to a cell production approach. The change is being made because evidence suggests that it will lead to increased productivity. Existing production targets could be met and there could be potential for increased output. Each cell will require eight employees to operate at optimum efficiency. A cell could manage, for short periods, with six employees since part of the change will be multi-skill training for all shop floor workers. They will be able to manage any of the four processes involved in production. All the costs of transferring to cell production have been budgeted for and are not part of the costs associated with the possible introduction of flexible working hours. 60

Kimberley argues that, since employees could work together in any combination and in any cell, a flexible approach to working hours could be introduced. This would take the pressure off those likely to be late and reduce the tendency to take the day off. In providing a pattern of work which was more acceptable to many workers, it might well significantly reduce labour turnover. 70

Currently the working day is from 09.00-17.30 Monday to Friday, with the required rest and refreshment breaks during that time. Employees are paid for an eight hour day. Wages are paid at the rate of £5.50 per hour.

Flexitime would require all workers to be present from 10.00-16.00 and the working week would be reduced from 40 hours a week to 37.5 hours. Wages would be increased to £6 per hour. All workers would be paid for the first 37.5 hours of work at this rate with the opportunity of a further 2.5 hours each week at the overtime rate of £7.50 per hour. All employees would benefit from the introduction of this scheme. The costs, in the first year, of introducing a flexible approach to working hours are estimated to be: 75

	£	
Installation of time recording system	90,000	
Staff training in use of recording system	4,000	
Administration	46,000	
Increased wage bill	120,000	80

Required:

Write a report for the directors of Craddock Casuals Ltd (CCL) advising them of strategies they might develop to solve CCL's present problems. In writing your report you are required to use the evidence given in the case. You should also use any evidence you have gathered from studying strategies for survival. The title of your report must be:

Which option should Craddock Casuals Ltd (CCL) select as a basis for ensuring its survival?

Complete both the tasks below.

Task 1

Write a plan for your report in which you make clear: [10]

- (i) the problem as you see it and the need to solve it;
- (ii) the context in which this problem must be solved;
- (iii) your objectives in your approach to the problem;
- (iv) any assumptions you make and the reasons for them.

You are advised to spend not more than 15 minutes on this task .

Task 2

Write your report. [80]

In it you must satisfy the criteria on which the assessment is based.

You should ensure that you:

- (i) provide terms of reference for the report;
- (ii) select information appropriate for this task. You should use evidence from the case, from business theory and from work you have done in preparation;
- (iii) present and analyse the evidence logically and in line with the objectives you set and the assumptions you made in the plan;
- (iv) consider the situation and arrive at a supported recommendation.