ADVANCED SUBSIDIARY GCE

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BUSINESS STUDIES

Business Behaviour

CASE STUDY

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To be opened on receipt

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INSTRUCTIONS FOR TEACHERS

- This Case Study **must** be opened and given to candidates on receipt.

INFORMATION FOR CANDIDATES

- This copy may **not** be taken into the examination room.
- The business described in this Case Study is entirely fictitious.

This document consists of **6** printed pages and **2** blank pages.

LEGACY GLAZING Ltd. (LGL)

Charles Nunn formed Legacy Glazing Ltd (LGL) nearly 10 years ago, when he retired at the age of 60 from his salaried post in another double glazing business. Today, he remains Chairman and majority shareholder of LGL; although his son, William Nunn, runs the business on a day-to-day basis as Managing Director. Turnover for the year ending September 2007 was £2.9 million, generating pre-tax profits of £176,000, in a highly competitive market. LGL not only fits replacement double glazing units in homes and commercial properties, but also makes the units in two factories. It also produces and installs uPVC fascias, soffits, barge boards and guttering. The company has 41 employees, no debt, no long-term financial commitments and the two factories are on short-term leases. "We have no liabilities," William says. What LGL does have though is a finite local market, operating in a 30-mile radius of Sheffield, and an ageing workforce.

The two sites used by LGL are on the outskirts of Sheffield, less than 15 miles apart. One factory produces the uPVC products, including the window and door frames, made to measure. The second factory produces the sealed double glazed units to the same exact measurements as the window or door frame.

Finance Manager, Wendy Guo, has worked at LGL for five years and is the only female manager. In fact, she is one of only four female employees in the whole company. However, Wendy enjoys working at LGL and does not feel she is treated any differently because of her gender. Unlike most finance managers in a business of LGL's size, she does not have to worry about cash flow problems, chasing debtors or trying to keep creditors happy. Given the company's lack of debt, she is able to spend a lot of her time planning budgets and looking at ways to improve the efficiency of the business, including how to increase profit. Although LGL has been profitable for all but one of its years in business, Wendy is keen to increase the net profit margin from the current level of about 6%. She is always looking for ways to cut costs and increase revenue. One of the decision-making tools Wendy uses is break even analysis. Computer systems allow her to update her records easily on a weekly basis so that forecast profit levels for the year are always available.

One area which has been identified by Wendy as holding back the company's profit margin is its inefficiency. The most important piece of machinery which LGL owns is the one which produces the window and door frames. It has to be highly accurate as a difference of more than 2 mm in the measurements of the double glazed unit and the frame will mean that the window or door will leak when installed in a property and will have to be scrapped. Wendy has arranged a meeting with Production Manager, Joe Sisko, to discuss capacity issues in general, but the use of the framing machine in particular.

Wendy got straight to the point. "Look at these production figures for the frames. They are well below 100% capacity on most days. We are wasting too much time on doing things for the second or third time. We need to improve efficiency and cut costs. What is going wrong on the shop-floor?" (see Table 1.)

"It's unfair to blame the shop floor workers for the problems," replied Joe. "The framing machine is a very specialised piece of equipment and it isn't easy to use, but you have got to realise that most of the problems occur because of mistakes being made by our sales team when measuring up a customer's property. When a wrongly sized frame comes back from our fitters we have got to make a replacement straight away as the customer does not want a window-less hole in their property overnight! I admit that we do make some mistakes, but I am trying to minimise these."

Table 1 – Output of the framing machine

	New frames produced		New frames produced
Week 1		**Week 3**	
Monday	12	Monday	7
Tuesday	20	Tuesday	19
Wednesday	11	Wednesday	15
Thursday	14	Thursday	14
Friday	9	Friday	12
Week 2		**Week 4**	
Monday	11	Monday	12
Tuesday	9	Tuesday	10
Wednesday	12	Wednesday	9
Thursday	8	Thursday	14
Friday	10	Friday	18

LGL has a reputation in the industry for being an ethically-driven business with a caring culture. William Nunn nurtures this attitude to running a business among the staff and customers. In the last seven years, only four employees have left. William believes that staff are valuable and need to be retained. One of LGL's fitters is 66, but he acts as an informal mentor to the younger fitters, helping to train them. All the sales staff are salaried, with no commission-based payments. Instead, profit-related bonuses are paid to all employees, based on company rather than individual performance. Last year, each full-time employee received between £800 and £1,300 as their annual bonus.

As a growing company, LGL is very aware of the benefits of employing older workers and is keen to encourage the employment of people who are 50 or over. The issue of employing 'older' workers has been gaining increased coverage in the national and local business press (see Appendix 1). This has led to a re-evaluation of the company's employment practices. In line with the age regulations which became law in October 2006, employees of LGL benefit from the knowledge that they may not be forced to retire when they reach 65, but could be asked to think about whether they wish to stay on. The option to retire is always there, but so is the option to work. In the company's promotional literature, William Nunn is quoted as saying, "The age of employees does not come into the equation. We are more concerned with employing people who are dedicated and have the ability to work to professional standards."

71% of LGL's customers are over the age of 40. The vast majority of these live in bungalows, detached and semi-detached houses. In a recent survey, LGL's customers listed the main reasons for choosing LGL as price and the quality of advice provided by the sales advisers. When considering buying double glazing products, customers were most worried about the mess created and the regular stories about 'cowboy' firms in the local press.

As already mentioned, LGL has a finite local market. To grow, LGL has identified that it must either expand its geographic area, increase its market share, or offer new products to a different customer base. The latter is preferred by Charles and William Nunn. In October 2007, LGL purchased two other companies. One is a small double glazing business which specialises in building conservatories. The other is a company which produces moulded plastic products, not used only in the double glazing business. Both of these businesses are in Leeds. This growth by acquisition is already having some repercussions on the day-to-day running of LGL.

One issue surrounds how customers pay for their products. LGL has always refused to offer its customers any finance packages. “We take a cheque or we don’t do business” is one of Charles Nunn’s famous quotes. This has never been a problem in the past and is part of LGL’s aim to emphasise the company’s ‘honest’ image. “We make money out of supplying and fitting windows, not through finance” is another of Charles’ quotes. Company policy has always been that it does not want to attract people who cannot afford LGL’s products and it would rather advise people to go to the bank for a cheaper loan than to take out a finance agreement.

The reason why this has become an issue is that the double glazing business LGL has just bought has always had a high-profile advertising campaign in the local media with ‘cheap and easy finance options’ as its central theme. William Nunn has decided to canvas opinion from his sales staff as they are the ones who know customer trends best. The meeting has been set up for next Friday morning, although William’s personal assistant, Billie Davis, is having trouble contacting all the six sales staff at such short notice. She has just managed to inform one of them, David Piper, after three days of trying, but only because she literally bumped into him when leaving the office on her lunch break.

“I’ve been trying to tell you about this meeting on Friday morning. All you salesmen need to be in the conference room at nine o’clock,” said Billie, as she helped pick up the pile of paperwork David had dropped. “I haven’t been able to get you on your mobile.”

“That’s because it’s not been switched on,” replied David. “I’ve been in sales for over 40 years and have never needed one before. I really don’t like this technology. I told the boss there was no point buying us all a mobile. I look like an extra out of Doctor Who with that blueteeth thingy stuck in my ear.”

“I also left you an e-mail message which hasn’t been replied to,” said Billie.

“That’s something else I don’t like. Whatever happened to good old letters and memos?” complained David.

On her return from lunch, Billie came across LGL’s Marketing and Sales Manager, Alex El Faddil. “Where’s the boss?” he asked on seeing Billie.

“He’s at the other factory all day. What do you want him for?” replied Billie.

“Well, I have found a software company which has quoted a reasonable price for website development,” said Alex with a smile on his face.

Billie is aware that the company website is seen as something of a joke to those who know about it. The site has been in existence for nearly four years, although all it contains is the message ‘This site is under construction’. Alex was having his latest attempt to get something done about it, as most of LGL’s competitors have increasingly impressive websites which allow potential customers to see the range of products available and make contact with the business. However, he has yet to convince William Nunn of the sales and marketing merits of having a fully working company website.

Appendix 1 – Article in the West Yorkshire Gazette (Tuesday, 18th September 2007)

AGEING WORKFORCE SET TO CHANGE MINDSETS

Workers heading towards retirement are enjoying greater opportunities due to skills shortages and last year's age discrimination legislation. That's good news for the 73% of 55 to 64 year olds considering working beyond 65.

"People are deciding to keep working for a variety of reasons" says Simon McNulty, of the Centre for Research into the Older Worker. "It may be financial but most people like working: they like their colleagues and they want to feel they are doing something useful."

"For years, many employers have seen young people as dynamic and making the most contribution to a company's development. But by 2025 more than 27% of the UK population will be 60 or over and they can make a big difference too – they have a wealth of experience."

But it is more than just a change in the law that has stimulated more firms to look to employ older workers, says Mr. McNulty. "There is a skills shortage and that's more likely to change employment attitudes than any laws. Over half of all firms now don't even have a retirement age."

However, businesses need to remember that there are differences between younger and older workers. The latter look for more flexible ways to work.

"Many large employers offer 'Benidorm Leave'" says Mr. McNulty. "They allow older staff to take three months off in the winter to live in warmer climes." That may not always be possible for smaller firms but it shows the way the market is moving.

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