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OCR
Oxford Cambridge and RSA

Friday 9 June 2023 – Afternoon

Level 3 Cambridge Technical in Business

05837/05878   Unit 15: Change management

RESOURCE BOOKLET

Time allowed: 1 hour 30 minutes
C428/2306

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INSTRUCTIONS
- Use this Resource Booklet to answer **all** the questions.
- Do **not** send this Resource Booklet for marking. Keep it in the centre or recycle it.

INFORMATION
- The business described in this Resource Booklet is fictitious.
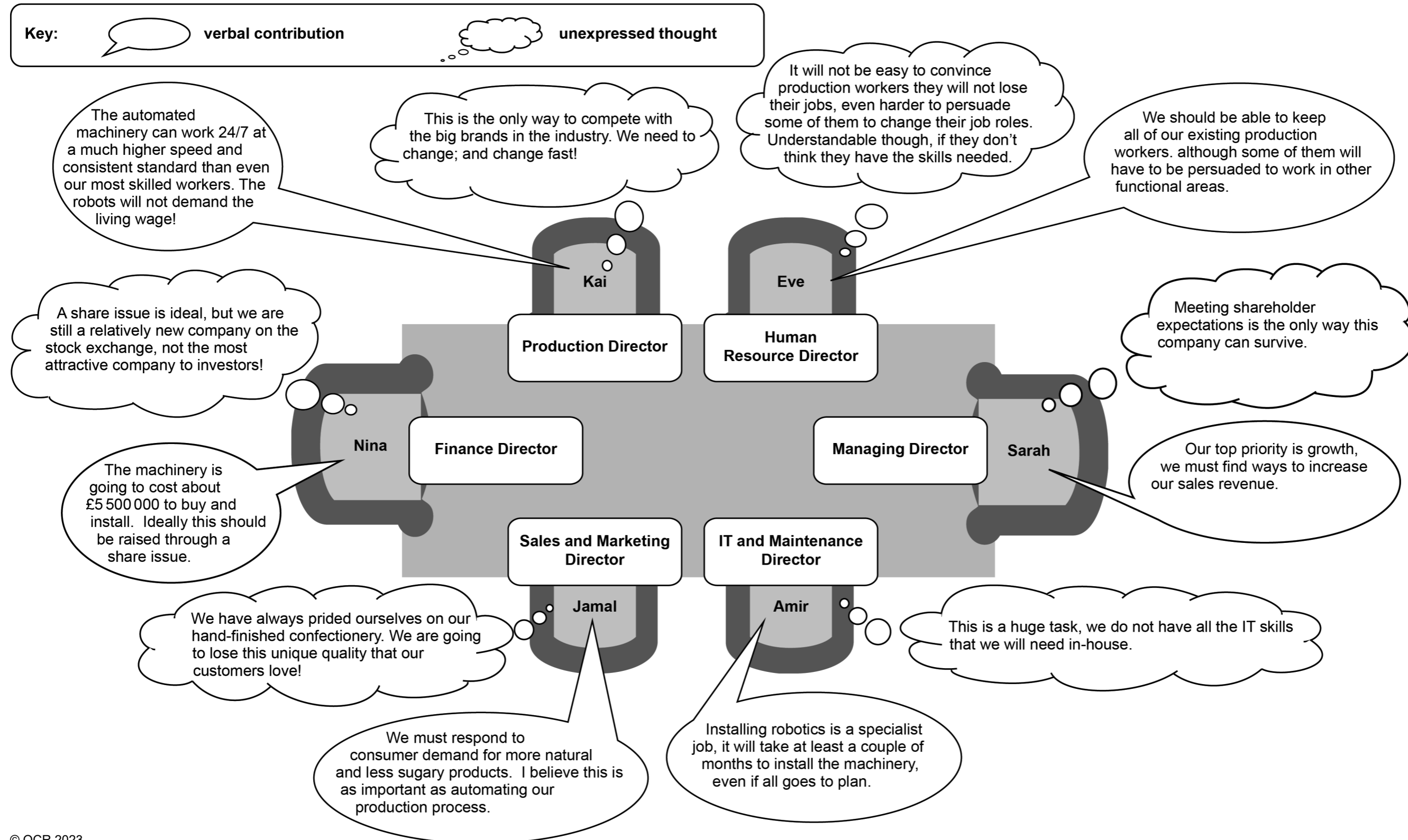- This document has **5** pages.

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Turn over

Resource 1

Based in the North East of England, Sweet Treats plc is a well-established manufacturer of high-quality, hand-finished confectionery. However, despite the booming economy the company has not seen the rate of growth it had hoped. In recent years the highly competitive confectionery market has seen many challenges. These include a growing trend for more natural and less sugary products. In addition, more and more consumers are demanding new and innovative flavours such as spicy sweets and salted chocolate. Furthermore, recent increases in the living wage have reduced profit margins. The directors at Sweet Treats plc are fully aware of the need to increase its product range, by developing innovative sweets and chocolate flavours, if the company is going to achieve the rate of growth that it needs to survive.

Sweet Treats plc is also under pressure to improve its shareholders' return on their investment. However, this can only be achieved with a higher profit margin through greater efficiency in its production process. The directors have decided to fully automate the production process. Robots, controlled by computer, will be used to make the confectionery. This includes applying finishing touches to the confectionery, a task currently done by hand by skilled staff. The robots will also allow new shapes and textures of sweets to be created. The initial capital outlay for the machinery will be large, but Kai, Sweet Treats plc's Production Director, argues that the company will benefit from this automation in the long run.

Below is a summary of the main contributions and thoughts of those who attended the most recent board meeting.

Key: verbal contribution   unexpressed thought

Kai – Production Director (verbal contribution): The automated machinery can work 24/7 at a much higher speed and consistent standard than even our most skilled workers. The robots will not demand the living wage!

Kai (unexpressed thought): This is the only way to compete with the big brands in the industry. We need to change; and change fast!

Eve – Human Resource Director (unexpressed thought): It will not be easy to convince production workers they will not lose their jobs, even harder to persuade some of them to change their job roles. Understandable though, if they don't think they have the skills needed.

Eve (verbal contribution): We should be able to keep all of our existing production workers. although some of them will have to be persuaded to work in other functional areas.

Nina – Finance Director (unexpressed thought): A share issue is ideal, but we are still a relatively new company on the stock exchange, not the most attractive company to investors!

Nina (verbal contribution): The machinery is going to cost about £5 500 000 to buy and install. Ideally this should be raised through a share issue.

Sarah – Managing Director (unexpressed thought): Meeting shareholder expectations is the only way this company can survive.

Sarah (verbal contribution): Our top priority is growth, we must find ways to increase our sales revenue.

Jamal – Sales and Marketing Director (unexpressed thought): We have always prided ourselves on our hand-finished confectionery. We are going to lose this unique quality that our customers love!

Jamal (verbal contribution): We must respond to consumer demand for more natural and less sugary products. I believe this is as important as automating our production process.

Amir – IT and Maintenance Director (unexpressed thought): This is a huge task, we do not have all the IT skills that we will need in-house.

Amir (verbal contribution): Installing robotics is a specialist job, it will take at least a couple of months to install the machinery, even if all goes to plan.

Resource 2

The automated machinery for the production of confectionery has been in operation for just over a year. Selected summaries from directors' monitoring reports are shown below, together with qualitative feedback from employees and customers.

Summary of Financial Report

	Pre-change	**Post-change**
Sales revenue	£16m	£24m
Percentage of profit distributed to shareholders	20%	18%
Net profit margin	25%	30%

Summary of Production Report

	12-month predicted	**12-month actual**
Wastage level	5%	2%
Machinery downtime	20 days	31.5 days
Accidents in the workplace	15	10

Summary of IT and Maintenance Report

	Pre-change	**Post-change**
Average response time to repair request	2 hours	6 hours
Percentage of IT staff that have completed training	95%	98%
Maintenance budget cost variance	5% adverse	2% favourable

Summary of employee feedback

- 70% are not satisfied with their job role.
- 85% said the training they have received gives them confidence in their work.
- 35% felt their job to be secure.

Summary of customer survey

- 92% liked the new flavours.
- 88% thought the products were innovative.
- 75% would like even less sugar in the confectionery.