

Pearson BTEC Level 3 Nationals Diploma/Extended Diploma

**January 2021**

Paper Reference **31588H**

**Business/Enterprise and  
Entrepreneurship**

**Unit 6/12: Principles of Management**

**Part A**

**You do not need any other materials.**

### Instructions

- **Part A** contains material for the completion of the preparatory work for the set task.
- **Part A** is issued to learners 2 weeks before **Part B** is scheduled. Learners are advised to spend no more than 6 hours on **Part A**.
- **Part A** must be issued to learners on the timetabled date so that learners can prepare in the way specified.
- **Part A** is specific to each series and this material must only be issued to learners who have been entered to undertake the task in the relevant series.
- **Part A** should not be returned to Pearson.
- **Part B** materials must be issued to learners on the timetabled day specified by Pearson.

Turn over ►

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## Instructions to Teachers/Tutors

This booklet must be read in conjunction with the unit information in the specification and the *BTEC Nationals Instructions for Conducting External Assessments (ICEA)* document. See the Pearson website for details.

Learners should familiarise themselves with the specific case study given in this **Part A** booklet.

Learners are advised to spend six hours, or more if needed, in undertaking **Part A**.

Centres must issue this booklet at the appropriate time and advise learners of the timetabled sessions during which they can prepare. It is expected that scheduled lessons or other timetabled slots will be used for some or all of the preparation.

Learners are **not** permitted to take notes or any other materials into the supervised **Part B** assessment period.

The supervised assessment for **Part B** will take place on a timetabled day specified by Pearson.

Centres should schedule all learners at the same time or supervise cohorts to ensure there is no opportunity for collusion.

Learner work for **Part B** must be completed on a computer.

Refer carefully to the instructions in this **Part A** booklet and the *BTEC Nationals Instructions for Conducting External Assessments (ICEA)* document to ensure that the preparatory period is conducted correctly and that learners have the opportunity to carry out the required activities independently.

### Instructions for Learners

Read the Set Task Brief and **Part A** Set Task Information carefully.

In **Part B** you will be asked to carry out specific written activities, under supervised conditions, using the information in this **Part A** booklet.

At all times you must work independently and must not share your work with other learners.

Your teacher/tutor must not give you guidance on the Set Task Brief or **Part A** Set Task Information.

Your teacher/tutor will clarify when you can undertake the preparation.

Your teacher/tutor must not give you feedback on your preparation.

### Set Task Brief

You are an assistant to a management consultant contracted to provide advice to *Clockwise Ltd.*

Your manager has sent you the text and data contained in the **Part A** Set Task Information.

Your manager expects you to familiarise yourself with this information. He will contact you next week when he finalises the tasks he needs you to complete.

Your manager expects you to spend six hours on this preparatory work.

## Part A Set Task Information

### ***Clockwise Ltd***

*Clockwise Ltd* is a technology company founded by Patrick Neve and his two friends, Mitra Vinod and Mehdi Rohit. They set up the company five years ago whilst studying Computing at university. The company's only product is a mobile social media video app for creating and sharing short lip-sync, comedy, and talent videos. *Clockwise Ltd* has become a global success, with more than 300 million people using the app each month. Revenue from the last 12 months exceeded £6 million.

Patrick, Mitra and Mehdi had no previous management experience, but they have the following roles within *Clockwise Ltd*: Patrick is the Financial Director, Mitra is the Logistics Director and Mehdi is the Director of Human Resources. They employ more than 50 staff in a number of job roles from software engineers to online marketing experts.

Most staff are on flexible contracts with the option to work from home and work hours to suit their personal circumstances. However, the software engineers who maintain the network and the app work a shift pattern. Some of the engineers work a 12-hour day shift, and other engineers work a 12-hour night shift. All the software engineers are highly skilled and experienced. These highly-skilled software engineers are the most difficult to recruit and retain because there is a shortage of highly skilled software engineers in the UK.

Patrick thinks this shortage of highly-skilled software engineers is holding the company back. *Clockwise Ltd* has had to outsource software engineering tasks to an agency, which has been very expensive. Also, Mitra's laid-back management style often means the day shift team do not complete tasks, which the night shift team have to finish. There have been arguments because the night-shift team resent having to do this extra work without getting any extra pay for doing it. One of the night shift team commented, 'There doesn't seem to be a plan, no wonder everyone is leaving – we're all overworked and undervalued.'

Permanent staff are paid an annual salary, but agency staff earn an hourly wage at a higher rate per hour than the permanent staff. In addition, permanent staff get an annual bonus if the company exceeds its profit targets for the year. The staff do not have individual performance targets and there are not many opportunities for promotion in the company. Some staff lack motivation and leave as they feel unchallenged.

*Clockwise Ltd* is located on an industrial park on the outskirts of one of the UK's major cities. There is no direct bus route to the office and staff without cars have a 20-minute walk from the nearest bus stop. The difficulty in getting to the office is another reason why people do not want to work for *Clockwise Ltd*.

Most employees enjoy the laid-back management style and positive relationships with the management team. However, Mehdi, the Director of Human Resources, recently had to discipline some software engineers in the recreational area because they were playing table tennis when they should have been correcting an urgent software error. This was causing problems for users worldwide and resulted in the loss of a major new advertising contract. Patrick was already worried because there was a reduction in the company's net profit, and the loss of the advertising revenue made the problem worse.

This reduction in profit is reflected in Figure 1.



**Extract from the financial information for *Clockwise Ltd*  
for the years 2016–2020**

	2016	2017	2018	2019	2020
Total revenue (from advertising and sponsorship)	£1 million	£1.1 million	£5.4 million	£6 million	£6.2 million
Net profit/loss after tax	£150 000	£187 000	£1 080 000	£900 000	£806 000
Net profit %	15%	17%	20%	15%	13%

**Figure 1**

Patrick felt that a review of staffing was needed. As a result, Mehdi conducted a staffing analysis. The following information is taken from his analysis:

**Extract from the staffing and logistical information for *Clockwise Ltd*  
for the years 2016–2020**

	2016	2017	2018	2019	2020
Worker satisfaction survey (showing % of staff happy and committed to their job)	63%	65%	48%	43%	41%
Staff turnover %	5%	7%	30%	35%	42%
% of total wage bill spent on outsourcing engineering jobs to agencies	2%	2.4%	13%	24%	45%
Unfilled vacancies for which skilled workers could not be found	1	3	6	10	13

**Figure 2**

In conversation with Mitra, Patrick and Mehdi agreed that staff salaries and high agency fees were the major reason for low profits but all agreed that they had to pay high salaries due to a shortage of experienced and well-qualified staff. Agency fees and outsourcing had recently become an acute problem as a rival company was offering *Clockwise Ltd's* software engineers higher wages to leave *Clockwise Ltd* and work for them. However, Mehdi felt that their lack of management and leadership experience was also a key factor that had led to an unorganised workforce over which they had little control.

*Clockwise Ltd* has identified the following goals for its future:

1. Increase the net profit %
2. Reduce staff turnover
3. Achieve greater levels of product innovation and creativity.

Mehdi wanted to solve the company's problems, so recently he did some secondary research into the technology industry. He found that the fastest growing technology businesses in the UK are those with the most innovative product range. In 2020, total revenue in the most innovative companies grew by an average of 11.6% compared to *Clockwise Ltd*, which increased by only 3.3%. Mehdi visited one of these successful companies. He was impressed by the work ethic of the staff there and their commitment to an innovative and creative culture. Management teams were inspirational and they made sure that all workers were motivated towards the achievement of clear objectives. Regular appraisal meetings were used to share the company vision and to help build positive internal relationships. Staff were able to share their own personal goals, which often led to training, coaching and mentoring opportunities and greater job satisfaction.

On his return from his visit, Mehdi presented the following plan to Patrick and Mitra aimed at improving net profit and employee retention, in addition to building an innovative and creative culture at *Clockwise Ltd*.

Details of the plan are shown below.

- To relocate the office to a waterfront location in the city centre, with a roof terrace and coffee bar. It will be 15% more expensive than its current location. All employees will work from the new office.
- To introduce a savings scheme for staff. Staff could save a sum of money for three years and then they could buy *Clockwise Ltd* shares at a 50% discount on the quoted share price.
- To have staff appraisals which would be held every six months and find opportunities for staff to get extra training and improve their skills.

Patrick and Mitra were both impressed with Mehdi's plan. However, they were concerned about the cost of implementation given their current net profit position. They also thought the company needed to do more.