

BTEC Level 3 National in Business

First teaching September 2016



**Sample Marked Learner Work
External Assessment**

Unit 6: Principles of Management

In preparation for the first teaching from September 2016 and as a part of the on-going support that we offer to our centres, we have been developing support materials to help you better understand the application of Nationals BTEC Level 3 qualification.

What is Sample Marked Learner Work (SMLW)?

The following learner work has been prepared as guidance for centres and learners. It can be used as a helpful tool when teaching and preparing for external units.

Each question explores two responses; one good response, followed by a poor response. These responses demonstrate how marks can be both attained and lost.

The SMLW includes examples of real learners' work, accompanied with examiner tips and comments based on the responses of how learners performed.

Below displays the format this booklet follows. Each question will show a learner response, followed by comments on the command verbs and the content of the question. Tips may be offered where possible.

The appendix has attached a mark scheme showing all the possible responses that perhaps were not explored in the SMLW, but can still be attained.

The red box comments on the command verbs used in the question. Command typically means; to instruct or order for something to be done. Likewise, in assessments, learners are required to answer questions, with the help of a command verb which gives them a sense of direction when answering a question.

This box may choose to highlight the command verb used and comments if the learner has successfully done this, or not.

The green box comments on the content words and phrases. Content makes reference to subject knowledge that originates from the specification. Learners are required to use subject specific knowledge to answer the questions in order to gain maximum marks.

The comments may include:

- Any key words/phrases used in the learner's answer.*
- Why has the learner gained x amount of marks? And why/how have they not gained any further marks?*
- Any suggestions/ ideas regarding the structure of the answer.*
- If the answer meets full marks- why it is a strong answer? What part of the content has been mentioned to gain these marks?*

TIPS!



Tips offer helpful hints that the learner may find useful. For example:

- Recommended length of the answer*
- Reference to the amount of marks awarded*
- General advice for the learner when answering questions*

You will need to refer to the appropriate specification alongside these sample materials.

The link below will direct you to the SAMs that this SMLW refers to.

<http://qualifications.pearson.com/en/qualifications/btec-nationals/business-2016.coursematerials.html#filterQuery=category:Pearson-UK:Category%2FSpecification-and-sample-assessments>

Activity 1

With reference to the information and data in the Part A Set Task Information, you are to prepare a report for your manager to give to the owners of Bingham's Bakehouse Ltd.

Your report should:

- show your understanding of the management and leadership issues at Bingham's Bakehouse Ltd
- show your understanding of the management style issues facing Bingham's Bakehouse Ltd
- make recommendations on the actions that can be taken to improve the current situation at Bingham's Bakehouse Ltd.
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The report should be word processed and in size 12 point font.

[Total for Activity 1 = 44 marks]

Effective Response

Report on Bingham's Bakehouse Ltd

Introduction

This report will contain key information, analysis and recommendations that will allow Bingham's Bakehouse Ltd take actions to improve upon its current situation.

This will be done by carrying out an analysis of relevant statistical data related to the company over the last 5 years, and evidence relating the main management styles and practices and other factors which have impacted upon the business and its performance. The report will seek to identify the main management and leadership issues, any management style issues which are effecting the company adversely and then make clear recommendations on the actions that can be taken to improve on the current performance. Historically the business has performed well with an increase in sales, gross profit and net profit identified in the 22-year period between 1990 and 2012 when the company was ran by Mr Bingham snr. The gross and net profit margins peaked in 2012 and have been declining since. Total revenue was at its highest point in 2014 following a period of year on year growth. The falling profit margins and total revenue, The current owners began managing the business in 2014 following Mr Bingham's death and have not been able to replicate the success that their father had in the years that they have been the leadership team.

HINT: An introduction is important in a good report. This one tends to restate the case study so learners should be careful not to write an overly long introduction

Management and Leadership Issues

Revenue analysis

The financial information provided for the company shows that overall there has been an upward trend in the revenue generated by the company's operations. Between 2011 and 2014 revenue increased by £3.1m from £4.4m to £7.5m, an increase of 58%, though by 2015 this had dropped by £700k (a 9% fall from the previous year) to £6.8m.

Possible reasons for this drop in revenue could be due to the increase in competition from the eat in and takeaway markets that the company serves. Companies such as Greggs and Subway, along with many more independents and supermarkets, are now offering affordable and family friendly meal deals in comfortable surroundings from their branches, both on the high street and on retail parks that have free parking. Greggs have expanded dramatically in recent years and have outlets in most towns and cities. Opening hours of competitors are much longer than Bingham's, also typically supermarkets are opening from 7.00 am in the morning until 10.00 at night for their cafes, Monday to Saturday, and 10.00 – 4.00 on Sundays. This is a much wider sales window for customers than Bingham's. Fast food outlets typically have later opening times as well and there is now no shortage of options for potential customers on where and how they can buy and consume their purchases. Bingham's does not serve the local market of people working in the city and town centres on their way to work.

Gross Profit (GP) % and Gross Profit analysis

GP % has fluctuated between 2011 and 2015 but the trend over that time is downwards. In 2012 GP % increased by 2% from the year before, but reduced by 1.4% in 2013, a further 1.1% in 2014 and then a further 2.4% in 2015. This is despite an overall increase in revenue between 2011 and 2014.

Gross profit in real terms has fluctuated between 2010 and 2015, whilst it is higher by £685 200 in 2015 than 2011, about 39% higher, it has fallen substantially from its peak in 2014. It is currently lower by £429900 than it was in 2014 a drop of 16%. So, in real terms the company appears to be performing better but on closer inspection it is not achieving the GP % margin of previous years.

This points to an increase year on year of the cost of sales that the business is experiencing. Typically, this is caused by an increase in the direct wages of staff involved in production but is also hit by any increases in the costs of raw materials that business use in production. Greggs, and other food retail chains have increased sales prices to reflect the rising cost of raw materials from supplies, such as flour which is a major ingredient in bakery production, on the world market, or will seek to price their

HINT

Analysis of data is always useful to support a band 4 response, though this report could still be a BAND 4 response with less use of case quantitative data.

NB The learner will need to balance use of statistical analysis with other forms of analysis relating to management techniques and principles and alternative suggestions.

goods to reflect the costs they might have.

Direct wages and salary costs per individual in general have also increased for companies as they have had to comply with minimum wage legislation set in the UK, and the associated rises to pensions and national insurance in recent clarifications.

Bingham's Bakehouse staff have increasingly become full time staff rather than a mixture of full and part time. This will have increased the wage bill for the business and also make it less flexible. In 2012 when it was most profitable, there were 20 full time staff and 36 part time staff. By 2015 these figures had reversed with 44 full time staff and only 10 part time staff serving in the food outlets.

That said the gross profit % would need to be compared to that which is considered typical for a company in the sector, or against that of competitors, before the relative health of Bingham's could be assessed

Other external factors that could have an impact on cost of sales include inflation and scarcity of raw materials. These can push associated costs up and are outside of the direct control of the company.

Net Profit (NP) and NP%

Net profit overall has increased from its 2011 level, some £53 600, though it has fallen in real terms since it peaked at £414.400 in 2012 as it then represented a NP% of 7.4%.

NP in 2015 is £326,400 and represents a drop of £88 000 or 21% on its 2012 value and now represents only a NP% of 4.8%

This drop in NP% identified that the business has seen a real increase in its expenses and costs over the 5-year period. The benefits of the revenue increase are in fact being eaten up by the increase in all the associated costs of running the business. The overall sector performance would need reviewing but on this evidence the business is less effective and efficient than it was in 2011.

The business would do well to identify how it could manage its cost base more effectively and will need to identify efficiencies in terms of its overall business expenditure, including salaries and day to day running costs.

The above factors are further compounded by the fact Bingham's are recording falls in revenue and profit from both eat in and take out sales in their 10 stores.

Many retailers, and fast food chains, have apps and websites that offer delivery for a modest fee and this could have impacted also on decline in Bingham's revenues. Coffee shops and even chemists such

as Boots and newsagents such as WHSmith's, now offer meal deals which are alternatives to visiting a bakehouse or café. So, competition, costs of sales and overall expenditure levels are a management issue that need to be evidence of external knowledge being applied to justify an alternative management approach. On a local level competition is fierce for the tourist trade with these Yorkshire towns having many traditional and very well know cafes and restaurants that tourist typically choose e.g. Betty's Tea rooms in Harrogate and Marigolds café in Knaresborough. These are located close to all the main tourist attractions and are themselves tourist attractions in the case of evidence of external knowledge being applied to justify an alternative management approach.

Management and Leadership Styles

Since the passing of Mr Bingham senior, the company has undergone a change in the management style adopted by the brothers John and Jack, who own 80% of the shares in the business. Mr Bingham Senior adopted a paternalistic style of leadership. He would have expected obedience, loyalty and trust from his employees.

Each brother has a distinct area of responsibility when making decisions and so far, they have not developed a business strategy or vision for the company. Forward planning is not being done and decisions when made are reactive to the actions of a competitor, so they are not anticipating or planning for changes in the external environment. There is a lack of leadership in the business. This combined with the lack of a business vision has meant that the business has lost its way and this is showing in the falling total revenue and profit margins.

The brothers both have adopted an autocratic style of leadership. This style is authoritarian leadership with the brothers having individual control over all decisions and there is little or no input from employees. The brothers make decisions based on their ideas and they do not accept advice from others.

The number of stores has stayed the same over the 5-year period, with overall numbers of staff fluctuating between 66 and 72.

This is having a distinct impact on the workforce and therefore there has been a big increase in staff turnover, especially amongst the food outlet managers. Since John took over the management of these outlets the staff turnover of managers has increased from a steady 10% a year under his father to 40% in 2014 and to 60% in 2015.

This has been attributed to his autocratic management style where he has been known to override the decisions of managers at store level. John's father had a paternalistic leadership style, this is where the manager consults with the workers before making decisions and, then explains the decision to them to persuade them that the decisions are in their interest. Paternalistic leaders think that getting involved and

caring about their team is a positive motivator and this is probably reflected in the low staff turnover evidenced amongst managers between 2011 and 2013.

John has not much experience of managing teams though he is responsible for managing HR in the outlets.

The brothers have an autocratic style of leadership which is at odds with their father's leadership style. The brothers make decisions on their own, which is useful when dealing with lots of unskilled or inexperienced workers or at times of crisis management. However, this approach does rely on a lot more supervision of staff and constant monitoring of activities and therefore workers are not allowed to make decision on their own. This style can lead to demotivation amongst skilled, able, intelligent or experienced workers and therefore if another job opportunity arises they will be at a high risk of leaving the business. This is borne out by the staff turnover figures of managers in 2014 and 2015. The increase in competition amongst rival firms has probably meant other job opportunities are available so any unhappy staff have been applying for them. Taylor's theory of scientific management states that workers were motivated by money, so he promoted the idea of "a fair day's pay for a fair day's work." In other words, if a worker didn't achieve enough in a day, he didn't deserve to be paid as much as another worker who was highly productive. Other motivation theorists such as Maslow would say that each employee is motivated by a series of higher level needs such as esteem and the feeling of accomplishment, which are not compatible with autocratic leadership styles.

Douglas McGregor developed two contrasting theories that explained how managers' beliefs about what motivates their people can affect their management style. He labelled these Theory X and Theory Y. If a manager believes that workers dislike their work and have little motivation, then the leader/ manager will use an authoritarian style of management. McGregor called this Theory X.

If manager believes that employees take pride in their work, then they will adopt a participative management style. Managers trust their workers to take ownership of their work and do it effectively by themselves. McGregor called this Theory Y.

Another aspect of management has been the decisions to change to balance of part time (PT) to full time (FT) employees hired in the

outlets.

FT staffing has risen from 20 in 2011 to 44 in 2015 an increase of 120% whilst PT staff numbers has dropped by 72.22%. This change has coincided with John being responsible for decision making in the sales outlets.

Overall the number of staff has remained constant at between 66 to 64 staff – so an average between 6.6 and 6.4 members of staff per outlet. That said the balance is skewed more too full time workers than part time. This makes the sales outlets less flexible in terms of staffing.

Staff turnover amongst outlet managers has increased since the brothers took over, from a steady 10% in 2011-13, to 40% in 2014 and to 60% in 2015. It can only be assumed the autocratic style of management is the likely cause of this. Recruiting, selecting and training new staff is very costly from a HR point of view and causes disruption to the working of the outlets and might be a reason why sales have fallen and more full-time staff are employed.

The cost of full time staffing then has increased despite the seasonality that can affect sales in tourist areas and the restricted opening hour's policy that the brothers have in place.

Jack looks after finances and the bakery operation and has had no input in decisions affecting the sales outlets. This despite his role as overseeing finances for all the company and the falling margins and sales of recent years. The bakery's main customers are the 10 food outlets. There does not seem to be any linkage between the management of the bakery and the management of the outlets.

The relative inexperience of both brothers in the roles they have in finance, HR, operations and strategy is apparent and there is a real need to stop the business declining.

Recommendations on the current Situation

The key recommendations based on the current position the business is in are as follows

There is a need for leadership in the business. One person needs to take on this role. The leader must inspire the staff. They must set the way forward and provide vision. They must influence all stakeholders. The leader will pull the business together. Jack was the managing director and he needs to take on this role and act as the leader.

In relation to decisions making both brothers need to start making joint decisions. HR and operational decisions should always be weighed against the financial cost to the company and the impact on operations. The current costs of FT and PT staffing ratios needs addressing as wages and salary costs do impact on the gross and net

profit margins which are falling.

The autocratic leadership style in place is counterproductive and should be addressed. A more consultative and transformational style of management would allow middle managers to implement the vision and values of the business and take on responsibility for increasing sales and managing teams in outlets. The turnover of managers is an issue at the outlets and is a cost to the business that has reduced net profit margins.

A strategic plan should be drawn up that reflects the character of the business, has a vision for the future and mirrors the skills of both brothers. The brothers should consult with the staff when developing the strategic plan.

The brand and scope of the business, to include its opening hours and target markets needs reviewing as part of developing the strategy and the way forward. Many potential customers are not using the sales outlets. The location of the outlets in town centres offers a good passing trade of workers on their way to work who may want to buy coffee, breakfast, food for lunch and snacks. The opening hours offer a restrictive selling period in a town centre location and competition is increasing year on year.

The senior team need to undertake some CPD to better skill themselves for the jobs they have and should consider hiring properly qualified HR and Finance staff who report to them or consider using outside agencies/ business services for these functions.

Given John has a degree in tourism he should be able to put together a marketing strategy to meet the needs of the tourists coming into the area and develop the brand. He will have an appreciation of many aspects of tourism and associated industries.

Jack has a background in sport and therefore working with teams and individuals to improve performance, this would include psychology and motivation, so would be better suited to leading the business and managing the staff.

A review of the business, and a detailed PESTLE and SWOT analysis, should be undertaken immediately to help form a clear business strategy going forward

| Activity 1 | | |
|-------------------------------------------------------|--------------------------------|----------------------------------------|
| Assessment focus | Maximum marks available | Marks allocated by the examiner |
| AF1 Information / data analysis and interpretation | 12 | 12 |
| AF2 Key principles of management | 12 | 11 |
| AF3 Suggested alternative management approaches | 12 | 10 |
| AF4 Structure presentation | 8 | 8 |

Activity 2

With reference to the information and data in the Part A Set Task Information, you are to prepare a presentation to be given to the owners of Bingham's Bakehouse Ltd.

The presentation must be accompanied by speaker's notes/script.

The presentation should:

- show your understanding of the need to manage the forthcoming change at Bingham's Bakehouse Ltd to ensure business success
- show your understanding of the factors and stakeholders who will influence change at Bingham's Bakehouse Ltd
- recommend the actions to be taken to manage the necessary change.

[Total for Activity 2 = 44 marks]

Effective Response PP

Bingham's Bakehouse – Issues that need addressing

- Business is in decline – gross profit, net profit margins falling despite an increase in revenue
- High staff turnover of managers
- Increase levels of competition and a narrow target market
- Static business model not adapting to changes in environment
- Management style and Leadership – autocratic and reactive
- Roles of Leaders
- Lack of vision and forward planning

Speaker notes

The company is clearly in decline despite maintaining all its branches, its profits both gross profit and net profit % are falling and costs are increasing despite an increase in revenue over the period

Staff turnover amongst managers has increased from 10% to 60% annually and is disruptive to operations in the retail outlets which drive revenue generation and will effect morale and motivation amongst the workforce.

The increase in competition is from many places including non-traditional high street stores offering meal deals, a rise in 24 hr opening and chains coming onto the high street that directly compete e.g. Greggs.

The business is very much what it was when it was ran by the father. The company has not adapted or changed and is not fit for the current market it competes in. It has limited opening hours and is missing key target markets by concentrating solely on the tourist market

The autocratic management style stems from lack of experience at managing people and reflects the need to develop skills in the company which mirror that of competitors. Leadership is lacking and the management style needs to change.

The brothers skills need developing and most likely they have took roles that do not suit their capabilities or background. Both need CPD in HR and

Finance

Reactive style of dealing with problems – such as responding to competition. This points to a lack of market awareness and vision for the company in an increasingly competitive market. They have no short, medium or longer plans in place and the business model is exactly the same as it was when their father ran the company.

Managing change -Why do they need to change

- Internal factors influencing change – change in management and leadership.

Factors for these are BB are – decreasing profit margins, increasing costs, no leadership, no vision or values, need to be consultative and transformational, staff structure.

- External factors can change – they can be based around the state of the local economy, national economy and the level of competition

For BB this is – level of competition in the market, not meeting the needs of both the tourist and local business trade.

HINT - Reasons for change can be linked to the recommendations as they help contextualise the rationale for change

Speaker notes

The reasons why Bingham's need to change are:

– Internally the business has increasing costs it's not managing well, despite an increase in revenue, profits are down. So from a business objective that was concerned with growth over time the business has changed its objective to Survival in the hope that it can stabilise and then return to a profit objective.

There is no leadership in the business with no strategy or vision for the future. Management is reactive and autocratic. Staff are no longer involved in decision making, the decisions of middle managers are often over turned. There is no longer a policy of delegation in relation to the food outlets. Middle managers are leaving the business.

Staff structure, increasing number of full time staff and fewer part time staff has resulted in a lack of flexibility.

External factors are the state of the economy nationally and locally and other things they have little control of that will affect them – such as level and number of competitors that broaden consumer choice.

However, one external factor that they can address is offering a service that meets the needs of the market. They could open earlier and serve the local business market.

Factors and stakeholders

| Stakeholders | → | Factors that can influence change |
|-------------------|---|--------------------------------------------------------------------------------------------------------------|
| • Owners | → | Need to return a profit and control costs |
| • Managers | → | Need to be able to work with and motivate staff to achieve targets , esteem and personal rewards |
| • Customers | → | Need to access a quality service that is good value and available when they need it. Opening hours, quality. |
| • Employees | → | Job security, non financial rewards, motivation |
| • Local authority | → | Vibrant local economy that provides jobs and services via taxation for local population |
| • Banks | → | Reduce risk on borrowing and service clients in a profitable way. Make a profit for shareholders. |

HINT

Diagrams can be used to illustrate this point if learners prefer a visual format and if there is time.

HINT - A structured approach should be evidenced on each slide.

Speaker notes

Stakeholders, and what motivates them is very important to Bingham's, as each can have very different expectations of what they want the business to provide and achieve for them.

Balancing the needs of stakeholders is important as sometimes the requiems of each stakeholder can be in conflict with one another e.g. the brothers might want to control the business and get staff to do as they are told but then this can impact on the levels of motivation and result in staff turnover and lower productivity all round.

Another conflict is running the business to suit the business rather than meeting actual or potential customer needs

The main stakeholders that influence change at BB are Owners, Managers, Employees and customers.

Recommendations and Actions

Recommendations

- **Change leadership style**
- **Set vision and values**
- **increase revenues to cover existing costs**

Actions

- Move to a Transformational approach
- Draw up a strategic plan. To achieve momentum in the business and get buy in from the other stakeholders
- Extend opening hours from 8.00 am to 9.00 pm

HINT - this should be explicit and in context with the case study .

Speaker Notes

Move to a Transformational leadership approach to allow for a change in company direction and working practice – in this instance the way managers are managed and a change to the autocratic leadership style to a more consultative approach. Engage staff, delegate to middle managers. This will stop the staff turnover of managers and motivate them better

Set vision and values

Draw up a strategic plan - to get the rest of the workers and management to buy into a longer term plan that recognises them all as key parts of the business success.

Increase revenues to cover existing costs

Extend opening hours. To attract office market on the way to work and to provide evening meals to tourists staying in the towns as well as attract residents.

This will be more in line with competitors and the hours can be reviewed periodically to see if demand is apparent.

John's background in Tourism will mean he can carry out research and monitor this and see if it is a viable action.

Recommendations and Actions

Recommendations

- **Change job roles of brothers**
- **Bring in properly qualified to manage HR and Finance and work with brothers**
- **Develop a better decision making model in the company**

Actions

- Jack to be MD and to take over planning and finance, John to take over and manage HR and the sales teams.
- Appoint a HR manager and a Finance manager who can report to and advise Jack and John whilst they develop their skills.
- Regular board meetings where decisions are made jointly, to include all shareholders. HR and Finance and other managers to contribute

Speaker Notes

To carry out a skills audit of the brothers and see what areas of CPD they need to undertake – Jack's background in Tourism could help them develop a marketing plan, whereas John could lead a target driven team and work with each sales outlet to bring to set sales targets

Properly qualified staff to help make important HR and Financial decisions – this is normal practice for a firm of any size and it will help control costs and manage staff and all the legal responsibilities that go with managing and running a firm. Priority will be to cut staffing costs by rebalancing the need for FT and PT as a % of staff and reduce turnover.

Consider employing outside agencies for HR and Finance.

Board of directors with regular meetings and minutes, following a strategic plan and shareholders jointly having input on all business decisions. Mother can have the casting vote in areas of stalemate.

Actions to Manage Change

- Strategy, Vision and Values
- Focus on people: Get buy in
- Communicate
- Involvement
- Ensure smooth change: Assess impact
- Identify and manage resistance

Speaker Notes

Need structured approach: need to have a strategy, vision and values and ensure that they have been developed. Be consultative. Shares the vision and values.

Focus on people from all areas of the business. Get buy in from all staff. All staff at BB will be affected by the change.

Communicate with employees. Staff at BB will need to know what is happening, they will be worried about losing jobs. Change is frightening to many people. They need to know how the change will be implemented as well as what it is. They need to know the impact on them and their colleagues.

Involve the middle managers in designing and implementing change. Make sure the right changes are made.

Ensure that the change is smooth. Assess and address how changes will affect people, minimise negative impacts where possible. Get people ready for changes, may involve training and development.

Identify any possible resistance and manage that resistance through involvement and communication.

| Activity 2 | | |
|-------------------------------------------------------|--------------------------------|----------------------------------------|
| Assessment focus | Maximum marks available | Marks allocated by the examiner |
| AF1 Information / data analysis and interpretation | 12 | 9 |
| AF2 Key principles of management | 12 | 9 |
| AF3 Suggested alternative management approaches | 12 | 9 |
| AF4 Structure presentation | 8 | 6 |

Activity 1

With reference to the information and data in the Part A Set Task Information, you are to prepare a report for your manager to give to the owners of Bingham's Bakehouse Ltd.

Your report should:

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- show your understanding of the management style issues facing Bingham's Bakehouse Ltd
- make recommendations on the actions that can be taken to improve the current situation at Bingham's Bakehouse Ltd.
-

The report should be word processed and in size 12 point font.

[Total for Activity 1 = 44 marks]

Less Effective Response

Report on Bingham's Bakehouse Ltd

Introduction

Over time the business has done well with sales being good and growing over time. Profits went up between 1990 and 2012.

Since 2014 John and Jack have been running the business following their father's death and own 40% each with their mum owning the other 20%. The business is growing in sales but isn't doing as well on net profit% now they are running it. This is due to lots of competition for cafes and bread shops that sell takeaway food, from Subway and Greggs.

The management style has changed also from paternalistic to autocratic and they aren't planning their business well. Each runs a part of the business with John running the shops and Jack the bakery and looking after the accounts.

HINT – a table of contents or a clear statement of the reports purpose would help the learner structure the report

Management issues at Bingham's

The figures provided show sales revenue is on the up between 2011 and 2015 £4.4m to £6.8 m though it was higher in 2014, so sales are not as good as they were last year. This is probably because of competition from Greggs and Subway and supermarkets offering meal deals at lunchtime and the fact that lots of people go to MacDonald's and KFC as they are on every high street. Also, lots of people use apps now like Deliveroo and Just Eat and get their lunch delivered, although it is tourists who they sell to in its other cafes. Bingham's aren't open all of the day but supermarkets are opening from 7.00 am in the morning until 10.00 at night for their cafes every day and Lidl sell cakes and pizza as well. Fast food outlets opening times are longer as well and Greggs and subway are open at 7.30 every day except Sunday. They need to be open longer to get more customers as if they don't open until 10.00 are shut at 4.00pm people will go somewhere else.

Gross Profit % has gone up and down 2011 and 2015 but mainly down.

Gross profit has gone up and down between 2100 and 2015, whilst it is higher by £685600 in 2015 than 2011, It is currently lower than it was in 2014 So, in on sales the company appears to be do better but GP % of is not as good.

HINT – use data and then try and reach a balanced conclusion to get into BAND 3 or 4.

Some conclusions are offered in the paragraph below it but it is not a balanced response.

This could be due to higher ingredients costs for its bread and pies, or paying production staff more because they need to keep them if employment levels are higher in the local area. If they pay less staff might get other jobs with competitors.

Net profit overall has increased from its 2011 level, though it has gone down since it was £414400 in 2012. It is now at £326400 which is still positive but the net profit % is now 4.8% the lowest it has ever been and means running costs must be a lot higher than they were before.

The above issues can be explained by the fact that Bingham's revenue and profit are both from the eat in and take out sales in the 10 shops. This is because competition is very tough for Bingham's as lots of other businesses are selling to the tourists who are their main customers.

More people are having short breaks as it is expensive to travel overseas as wages are low, but it is cheaper for visitors coming to the UK because the exchange rates are very good for them at the moment. So, overall tourism is a good market but not the only one they can sell to. John has a background in tourism so could easily look up the figures for tourists coming into the area and see if they could do better.

The revenue and profit falls may also be due to the changes in management at Bingham's. The brothers' father had a paternalistic approach to management. He treated his workers as part of the family and encouraged them, The brokers are autocratic, telling workers what they have to do. They do not encourage workers. They react to things that happen and tell everyone what they must do. This is not a good style of leadership and management as it does not motivate workers.

Management and Leadership Issues

Each brother looks after a different part of the business and they don't make their decisions together and don't have a business strategy that they are following other than trying to deal with their competitors.

The number of café shops has stayed the same over the 5-year period and they have roughly the same amount of employees

There are issues about management staff turnover since John took over the management of the outlets and is running at a rate of 6 out of 10 managers now leaving every year, a rise of annual turnover of 60%. It is a very expensive process to advertise for and recruit and train new managers so this big staff turnover has a very real cost and reduces the amount of profit made each year. There is also no continuity in management of the food outlets as they people are leaving as soon as they can get a new job.

This is because of his autocratic management style where he overrides the decisions of managers at store level. His father was very different and had what is described as a paternalistic leadership style. Paternalistic leaders think that talking to and listening to their team is a way of motivating the workers and staff turnover amongst managers was at a steady 10% between 2011 -13. John is responsible for managing HR in the outlets. His style might be useful when dealing with new staff or sorting out emergencies and problems but not when managing the food outlet managers on an

ongoing basis.

But this approach of telling everyone what to do and checking up on them all the time can be very demotivating, especially for a manager who might feel they are being undermined and overridden all the time in their own branches. This is probably why so many are now leaving each year.

John is treating his staff very much like Theory X

workers, just as a cog in the machine and ignoring the fact that some workers are motivated by things other than pay and can be trusted to work independently which again is at odds with an autocratic style. Maslow says that people are motivated by lots of different things and that self-esteem is important. Managers won't like being constantly checked on and interfered with by someone who might have less experience than they do.

HINT - Learners provide key management

principles, with development/ explanation relevant to context and

business goals.

Another big issue is that now there are less part time workers compared to full time employees employed in the sales outlets. Full time staff are a lot more expensive to employ than part time who can be hired when times are busy and not paid for when the business is quiet. Part time workers provide flexibility. Also, tourism can be seasonal so it is a good business practice to be able to hire students in busier summer months and just have a backbone of full time staff throughout the year.

Jack looks after finances and the bakery operation and has had no input in decisions that John makes, even though his role is to manage the finances. This is not an ideal situation.

The inexperience of both brothers in finance, HR, and operations is probably why the business is in decline and they need to be trained so they can make informed decisions on what they are responsible for

HINT - You would expect to see alternative approaches suggested in a report, these can be at any suitable point, A summary of all alternative approaches should ideally be present in the conclusions or recommendations section of the report.

Recommendations

John has a degree in tourism so should be able to put together a business strategy to meet the needs of the tourists coming into the area and increase sales and profits. He will need to carry out research on what tourists want and see what his competitors are offering and what Bingham's can do better

Jack was a PE teacher so should have experience coaching sports teams and individuals to improve how well they do, this would include setting goals and targets, training plans and helping to keep them motivated, so might have been the best person to manage the 10 different sets of people working in the branches selling products
The senior team need to study and train for the jobs they do. So, studying qualifications to be a HR manager or an Accountant might help both John and Jack become better at their jobs and learn some skills that would help them manage better. They could always hire in professionals from consultants to help them in the short term.

Both brother need to start making joint decisions so that anything they decide is weighed against how it will affect the finances of the business. E.g. Recruitment and staffing decisions and hiring more full-time staff than part time can push up costs and bring down net profits.

The autocratic leadership style being used is not working well and needs changing. A return to a more paternalistic style of managing the sales outlet staff under Jack, would improve morale and motivation and probably stop the café/shop managers leaving. He could use his skills as a teacher to get better performance from all the workers as he is used to giving supportive and positive feedback on how to improve.

The shops need to be open longer hours so they can attract the early morning commuters as well as the tourists wanting breakfast and evening meals. At the moment, similar shops like Greggs and Subway are open much longer hours so they are not competing on a level playing field and customers do not have the choice to sue them for big parts of the day.

Bingham's really need a properly thought out strategic plan that can set short, medium and long-term objectives for the company.

HINT - The response has a logical structure and attempts to apply relevant management principles and/or concepts.

Contains few communication errors

Uses relevant management terminology.

| Activity 1 | | |
|-------------------------------------------------------|--------------------------------|----------------------------------------|
| Assessment focus | Maximum marks available | Marks allocated by the examiner |
| AF1 Information / data analysis and interpretation | 12 | 5 |
| AF2 Key principles of management | 12 | 6 |
| AF3 Suggested alternative management approaches | 12 | 6 |
| AF4 Structure presentation | 8 | 5 |

Activity 2

With reference to the information and data in the Part A Set Task Information, you are to prepare a presentation to be given to the owners of Bingham's Bakehouse Ltd.

The presentation must be accompanied by speaker's notes/script.

The presentation should:

- show your understanding of the need to manage the forthcoming change at Bingham's Bakehouse Ltd to ensure business success
- show your understanding of the factors and stakeholders who will influence change at Bingham's Bakehouse Ltd
- recommend the actions to be taken to manage the necessary change.

[Total for Activity 2 = 44 marks]

Less Effective Response PP

Change Management at Bingham's – why its important

- Bingham's need to change as currently the business is not doing well financially and is suffering from lots of competition
- If a business wants to change it has to be manged in a structured way as it will have an impact on the teams involved, the individuals, the systems in place – it's a transformational process and if done badly can damage the business
- Bingham's need to survive in the short term so it can change its working practices to compete effectively so it can prosper in the long term
- Bingham's need to implement a number of planned changes so it can accomplish its desired business objectives which are profitability and growth , but the decline in profitability in the short term

Speaker notes

Here are the reasons why change management is important

Bingham's need to change as currently the business is not doing well financially and is suffering from lots of competition

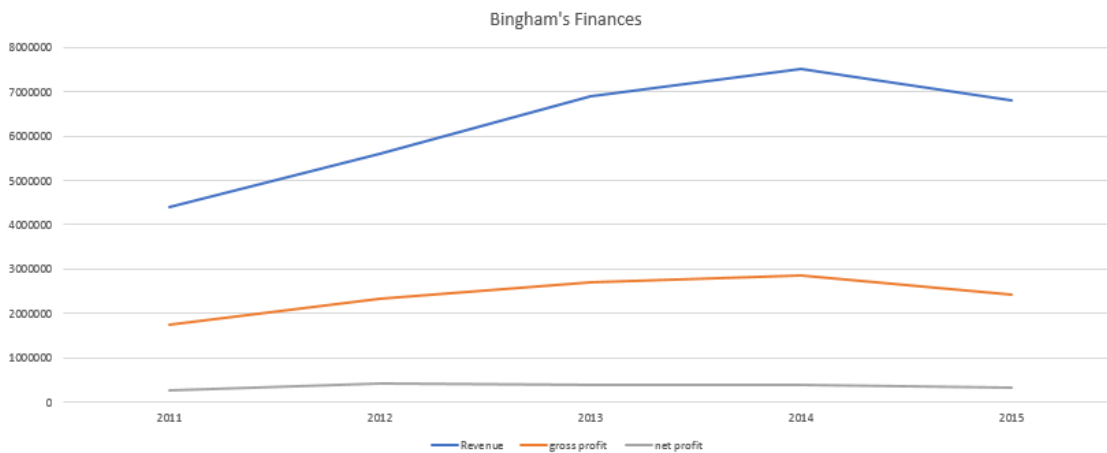
If a business wants to change it has to be manged in a structured way as it will have an impact on the teams involved, the individuals, the systems in place – it's a transformational process and if done badly can damage the business

Bingham's need to survive in the short term so it can change its working practices to compete effectively so it can prosper in the long term

Bingham's need to implement a number of planned changes so it can accomplish its desired business objectives which are profitability and growth, but the decline in profitability in the short term

If Bingham's don't change soon they will have to adopt a reactive survival objective and it won't solve the underlying problems with the business.

Factors that will influencing change at Bingham's



HINT - the use of charts and graphs is a quick way to show numerical data and identify trends and influencing factors. This can then be explained and justified in the speakers notes.

Speaker Notes

We can see the biggest factor here is the need to become more profitable and to stop the revenue from declining any further

Revenue is a lot more in 2015 than in 2011 but is on the decline since 2014.

Gross profit is following a similar pattern

Net profit is relatively constant even though sales revenue has increased over time, so overall all they aren't making any more profit despite getting more revenue in from more sales. It means they are not as profitable per £1.00 Of sales as they were in 2011.

Whilst they are not in any immediate danger of going broke it means they are making less % profit from an increase in overall sales and in the long term it means their costs are going up and eating up the extra money they are making.

Factors that will influencing change at Bingham's

- Management style needs to change

Was Paternalistic → Now Autocratic → becoming transformational /Consultative

A transformational approach needed to motivate workers, to plan effectively and to meet increase in competition

HINT - the transformational nature of change management can be illustrated it can reduce word count.

Speaker notes

The management style should be changed.

Under the old Mr Bingham the business grew and was profitable and only just before he died did this growth in revenue and gross profit start to decline.

The brothers have stepped into run the business but the sudden change in management style has had a massive impact on staff turnover amongst managers and sales in the outlets are starting to drop and profits are at their lowest % in the data we have been given, now needs to become transformational

Change management is needed to help the company get back on track.

Stakeholders who will influence change at Bingham's



Speaker Notes

Stakeholders are affected by the organizations actions, objectives and policies. Internally this is people who have an interest in how well the business does and can be groups or individual's – it can be pay, security, benefits and share of profit they are interested in.

Stakeholders are really important and what the stakeholders want from the business can affect the way it is structured, operated and the way it can appeal to all its users.

The owners want to see good profits- the workers want a good place to work, that offer good conditions and pay and recognizes there value to the business

Externals stakeholders can be the:

Customers – who want good food, at a good price at a convenient time?

Suppliers – who have a good relationship with the company and get paid for their services

Local govt - who want lots of employment and get taxes from businesses to fund local work for the community.

Actions needed to make Bingham's Successful

- Change management style back to paternal and make joint decisions
- Compete effectively – so look at opening times to get more customers
- Control rising costs to increase profitability
- Attract new customers other than tourists as this can be seasonal and affected by many factors

Speaker Notes

For the business to succeed going forward and to transform the business to a more successful trading model and ensure it survives going forward I would recommend the following actions

Change management style back to paternal - it was pretty successful under the father and seems to work as it brought business success. It's a family business and this should be reflected in a caring family approach to motivate and manage staff. They can make joint decisions about financial and HR matters. It could also be transformational which has many similar values.

Compete effectively – so look at opening times to get more customers. Currently being open six hours a day means they are missing the business and commuter market and the local resident market. Longer hours can mean more sales though they would have to pay staff to work longer hours. It could be monitored in the first few months and if full time staff leave they can be replaced with part time staff to offer flexibility.

Control rising costs to increase profitability – look at ways to save money in the business to bring down costs, They could look at supplier's costs and choose a good quality cheaper alternative or work out a deal on running expenses at the bakery and shops for gas/electric and water.

Attract new customers other than tourists as this can be seasonal and affected by many factors. Local workers and businesses use catering services all the time and this can help expand the types of customers to build sales. They can offer meal deals like other businesses.

Actions to manage change

- Lewin's Change Management Model
- Unfreeze
- Change
- Refreeze

HINT - Actions to manage change are done only in theory using Lewin's change model. Not applied to case study.

Speaker Notes

Stage 1 – Unfreeze – prepare the organisation to accept change – that it is necessary

Stage 2 – Change – After the uncertainty of the Unfreeze stage – where people begin to work out their uncertainty look for new ways to do things

Stage 3 – Refreeze – changes are taking place, people embrace them. Stability returns.

| Activity 2 | | |
|-------------------------------------------------------|--------------------------------|----------------------------------------|
| Assessment focus | Maximum marks available | Marks allocated by the examiner |
| AF1 Information / data analysis and interpretation | 12 | 7 |
| AF2 Key principles of management | 12 | 6 |
| AF3 Suggested alternative management approaches | 12 | 7 |
| AF4 Structure presentation | 8 | 6 |