

**ADVANCED GCE****BUSINESS STUDIES**

Further People in Organisations

2876

Candidates answer on the Answer Booklet

OCR Supplied Materials:

- 8 page Answer Booklet

Other Materials Required:

- Calculators may be used

Tuesday 16 June 2009**Afternoon****Duration:** 1 hour 30 minutes**INSTRUCTIONS TO CANDIDATES**

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- If you use additional sheets of paper, fasten the sheets to the Answer Booklet.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.
- This document consists of **4** pages. Any blank pages are indicated.



**A calculator may
be used for this
paper**

Flynn's Flowers Ltd (FFL)

Patrick Flynn owns five florist shops, one in each of five local market towns. He runs the largest, and has a manager running each of the other shops. He has sole control over personnel policy and the general management of the business. The managers want more involvement in the recruitment, selection and dismissal of staff and in other personnel issues. Patrick, however, is insistent that he will retain control of these matters. The shop managers have also suggested that some form of performance related payment (PRP) for themselves and sales staff at all the shops would improve FFL's performance (see Table 1).

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Table 1: Shop manager's proposal for sales staff bonuses based on increased weekly turnover

Increase in weekly turnover (%)	Level of bonus (%)
5	1
10	3
15	5
20	7
25+	9

FFL currently pays the managers a fixed salary of £21,840 per annum and pays the sales staff £7.00 per hour for a 40 hour working week. Patrick wants to keep running costs to a minimum level and sees no benefit in increasing staffing costs by introducing any form of PRP. The managers argued that a bonus scheme would pay for itself by increasing profits and improving levels of motivation. Patrick was not convinced, and told them to forget the idea, unless they could produce evidence in support of their claim. He was worried that the PRP proposal would damage his objective of maximising FFL's profits.

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Two weeks ago, Patrick received a phone call from Betty Brown, one of FFL's shop managers. Betty said that the her staff were all threatening to leave because they felt they were poorly paid compared to staff in similar local businesses. She added that one of FFL's other shop managers, John, had been confronted by his staff over the same issue. She also said that staff were complaining that Patrick seldom visited the other four shops unless there was a problem, and that Patrick always found things to be critical about. He also did not appear to value the staff's hard work. Betty told Patrick that he should look at the reasons why FFL's monthly turnover and profits had been falling recently. She implied that the reason profits were falling was as a result of poor staff morale.

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Betty went on to tell Patrick, 'On your occasional visits to my shop you claim that FFL's performance is a team effort. But we don't see it that way. The staff think you only care about profits and that you will replace us all if we don't agree with your views. Nothing is done to create any team spirit. Most of the time you only communicate by 'phone and don't listen to any of our ideas. You take responsibility for personnel issues but do very little and don't even let me interview my own potential staff. You seem to think that anyone should be able to sell flowers. I know how brief and unstructured your interviews are: no more than ten minutes. You also only use the job centre, which means you have a limited number of candidates from which to choose. You think that this minimises the time and money that you have to spend but it is only by accident that I have a couple of good staff at the moment and they might not stay. If the staff I get turn out to be no good you blame me, telling me that I should get the best out of the staff. How can I do that when I have customers, staff, stock and money to look after, and no freedom to introduce any personnel initiatives?' At that point Betty put the telephone down.

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Patrick thought about Betty's outburst and wondered if he should let the shop managers have more control over personnel issues at their shops, but decided it was much more sensible for him to retain overall control. He could then still dictate a company-wide policy rather than having the

other managers doing as they liked. As far as he was concerned that was the end of the matter. However, he decided that it would be appropriate to send individual letters to the managers and staff at all the shops telling them that unless their attitude and performance improved over the next month he would have no alternative but to terminate their contracts of employment. 40

Patrick considered this to be the first stage of his own version of FFL's disciplinary procedure which had never actually been written down and had never been explained to any of FFL's employees. Ten days later he received a letter from the regional ACAS office requesting a meeting to discuss the matter. They had been approached by the staff at two shops asking for help to resolve the issue. Patrick was left wondering exactly how ACAS might affect the situation and about the potential impact ACAS' involvement might have on his ability to decide aspects of company personnel policy. 45 50

- 1 (a) Assuming that shop turnover increases from £6000 to £7200 in the first week after a bonus scheme is introduced, calculate the weekly bonus received by a member of sales staff. [4]
- (b) Discuss the potential consequences to FFL of the introduction of a bonus scheme. [16]
- (c) Analyse **two** disadvantages to FFL of Patrick relying on the telephone to communicate with his shop managers. [6]
- 2 (a) Analyse **two** advantages to FFL of using ACAS in the creation of a suitable disciplinary procedure. [6]
- (b) Discuss why training would be beneficial to FFL in helping to achieve Patrick's objective of maximising FFL's profits. [10]
- (c) Should Patrick allow his shop managers more control over personnel policy? Justify your views. [16]

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