

## Case study 4: Mark scheme

Chapter 10: Human resource planning

Chapter 11: Organisational structure

Chapter 12: Communication

### Millicent Osbourne Ltd (MOL)

In 1976, Millicent Osbourne set up a London-based factory making top-of-the-range rainwear for the UK market, for sale at premium prices under the brand name *Mylord*. It quickly established a reputation for high quality and was adopted by the British upper classes as one of their brands of choice. For many years the company continued to supply their traditional niche market, earning solid and increasing profits. Despite having a total workforce of over 200, Millicent kept close control over all operations and all major decisions had to have her approval.

In 2002 there was a big change in the pattern of their trading. A star in a popular TV series wore one of their coats. As the show was sold to TV channels throughout the world, the coat suddenly became a high-fashion item. Demand ballooned within the space of a few months and the rest of the range began to be bought by foreign visitors from all over the world. Prices were raised to take advantage of the huge demand. In 2004, with demand continuing to expand, it was decided to set up factories in India, South Korea and Malaysia. A *Mylord* shop was opened very successfully in the centre of London and between 2005 and 2006 seven more were opened in Paris, New York, Barcelona, Rome, Hong Kong, Sydney and Geneva. The company also continued to sell through its traditional distribution channels but expanded to supply major stores throughout the world.

In 2007 Millicent began to suffer from health problems. She was forced to admit to herself that she could no longer personally continue to hold close and efficient control of a worldwide operation. She decided to set up a new organisational structure under the control of a board of directors based in London. She asked a management consultant friend of hers, Louis, to advise her on how best to structure the new organisation in order to ensure that channels of communication would be effective. He suggested that in view of the uncertain nature of the fashion market, MOL could use flexible employment practices such as those proposed in Handy's Shamrock theory.

### SL questions: 20 marks, 35 minutes

- 1 Define the term 'organisational structure'. (2)
- This is the internal, formal framework of a business that shows the way in which management is organised and linked together, and how authority is passed through the organisation.

Apply **Resources table 3a** mark band descriptors.

- 2 Draw a suitable organisational chart for the restructured company. (5)

**4–5 marks:**

A detailed chart with functional and geographic division of authority and control clearly shown. For full marks, the candidate should recognise the special position of the London HQ.

**2–3 marks:**

A simple and generalised attempt with basic recognition of either geographic or functional elements.

**1 mark:**

An attempted chart with no recognition of functional or geographic elements.

- 3 Suggest a suitable job description for a sales manager at the *My lord* shop in Paris. (6)

The job description should include reference to:

- hours worked
- holidays
- responsibilities
- who the sales manager will report to
- pay and benefits.

1 mark for each point, with an additional mark for detail of responsibilities.

- 4 Discuss what communication problems the international company could encounter after reorganisation. (7)

- language differences
- time differences
- cultural differences
- electronic communication problems
- problems resulting from change of structure

SL: apply **Resources table 1** mark band descriptors.

**HL questions: 25 marks, 45 minutes**

- 1 Using examples, explain what is meant by the term ‘organisational structure’. (4)

This is the internal, formal framework of a business that shows the way in which management is organised and linked together, and how authority is passed through the organisation.

Apply **Resources table 3b** mark band descriptors.

For full marks the answer should include reference to chains of command, span of control and levels of hierarchy.

- 2 Outline **three** advantages of using Handy's Shamrock organisation at the London headquarters. (6)

Answers may refer to the advantages below:

- flexibility if market is uncertain
- dispenses with expensive permanent staff
- no need to employ full-time specialists who may not always be needed
- avoids giving redundancy payments if market contracts
- home working or outsourcing may cut the need for (and expense of) office space
- any other relevant point.

HL: apply **Resources table 2** mark band descriptors.

- 3 Analyse **two** effects on workforce planning of the decision to locate factories outside the UK. (6)

Effects identified may include the following:

- UK employees may be replaced by temporary or outsourced workers
- change in the balance of factory workers: management in the UK
- experienced managers may need to be relocated overseas
- higher UK factory wages may lead to longer-term decisions on outsourcing or further relocation of production facilities
- any other relevant point.

HL: apply **Resources table 2** mark band descriptors.

- 4 Evaluate Millicent's decision to change the company's international structure. (9)

For (at least **three** valid arguments should be included):

- personal health issues
- impossibility of keeping personal control of a multinational organisation
- increased efficiency
- communication advantages
- increased motivation of staff who are delegated more responsibility
- added expertise of new contributing managers and directors
- any other valid argument

Against (at least **three** valid arguments should be included):

- loss of personal control
- new managers may not have sufficient company knowledge or personal contacts

- change inevitably gives rise to conflict situations
- any other valid argument

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.