

# Management

8 marks

## AS Paper 2 2019

### 1 Wood's Logs (WL)

WL was set up by Robert Wood 50 years ago. It is a private limited company with all of the shares owned by the Wood family. Robert has managed the business since it began and he is well liked as the figurehead of the business.

WL cuts down trees and processes them into logs. The logs are loaded onto trucks and trains for delivery to customers. All of WL's logs are sold in industrial markets.

WL is a labour intensive business which has over 100 employees. Demand for logs is seasonal. WL maintains a steady rate of production but the business cannot afford to hold high levels of inventory. Table 1.1 shows a cash flow forecast for the next three months.

**Table 1.1: Cash flow forecast for WL**

	Month 1 (\$000)	Month 2 (\$000)	Month 3 (\$000)
<b>Cash Inflows</b>			
Revenue	250	300	100
Total cash in	250	300	100
<b>Cash Outflows</b>			
Labour	150	150	150
Inventory storage	10	5	50
Expenses	5	5	5
Total cash out	165	160	205
Opening balance	20	105	245
Closing balance	105	245	140

The workforce is currently demotivated. Employees receive a basic wage and a share of the profits. In the last four years, profits have been falling and the company is struggling to break even. The demand for logs is decreasing, as businesses use more recycled products. WL does not have any environmental targets and this has also reduced demand.

Robert is now 70 years old and wants to stop managing WL. His grandson, Brad, is keen to become the new Managing Director. Brad went to university and studied Mintzberg's management roles. He believes that he has all the skills needed to become the next Managing Director of WL.

(d) Recommend which of Mintzberg's management roles is likely to be the most important for the new Managing Director of WL. Justify your recommendation. [11]

## **Solution**

The new MD needs to be a figurehead. Robert was a good figurehead because he was well liked for over 50 years. A good figurehead will have the trust and loyalty of the workforce. To improve the morale of the demotivated workforce.

He also needs to be an entrepreneur, to diversify as demand is falling. This means he will find new ways to boost demand to increase profits/ revenue.

The entrepreneur role is the most important. Without new ideas the business will not have enough demand and this is the most immediate concern for WL. However, this depends upon the MD being able to have some interpersonal skills.

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