

## Nativity Trees (NT)

NT was set up by Santiago Klaus 50 years ago. It is a private limited company with all of the shares owned by the Klaus family. Santiago has managed the business since it began and he is well-liked as the figurehead of the business. NT cuts down trees and processes them into Christmas trees which are sold in high numbers during the Christmas holiday season in Country X. The trees are loaded onto trucks and trains for delivery to customers. All of NT's trees are sold in industrial markets. NT is a labour-intensive business that has over 100 employees. Demand for trees is seasonal. NT 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 NT**

	Month 1 (\$000)	Month 2 (\$000)	Month 3 (\$000)
<b>Cash Inflows</b>			
Revenue	300	155	100
Total cash in	300	155	100
<b>Cash Outflows</b>			
Labour	120	120	120
Inventory storage	5	10	50
Expenses	5	5	10
Total cash out	130	135	180
Opening balance	10	180	200
Closing balance	180	200	120

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 trees is decreasing, as consumers use more recycled products. NT does not have any environmental targets and this has also reduced demand. Santiago is now 70 years old and wants to stop managing NT. 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 NT.