



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Management
Professional Level

CASE STUDY

4253/01

Core Module

Valid between 1 January 2007 and 31 December 2007

READ THESE INSTRUCTIONS FIRST

You should read the assignment carefully.

It is important to complete the **Assignment Cover Sheet** when you have finished your work. You must complete the details and sign the declaration to confirm that the assignment is all your own work and your tutor must sign to verify that it is your own work.

The organisation described in this case study is entirely fictitious.

The length of the assignment must be no more than 5000 words. Marks will be deducted from assignments that exceed the word limit.

* 4 9 9 5 4 4 1 0 7 6 *

This document consists of **5** printed pages.



Case Study – Core Module

Title: Cakes and Cookies

Nadeen and Myra are two close friends who have always shared a love of baking. In early 2001 they started making small cakes and pastries and selling them to friends. As they hoped, these proved to be very popular and they decided to go into business together on a very small scale. The story of their experiences follows:

Background to Cakes and Cookies

During their experimental year of 2001, Nadeen and Myra spent a lot of their spare time trying out different recipes and getting feedback from their friends. By the end of that year, based upon their own secret recipes, they had developed a very popular range. Their products comprised the following:

- A mixed fruit cake that came in 2 different sizes: a small cake that was suitable as a gift and a medium sized cake that was suitable for a family. These cakes had a shelf-life of 6 months
- A medium sized chocolate cake that had a shelf-life of 3 weeks
- Shortbread biscuits or cookies that were attractively packaged in sets of 12 and had a shelf-life of 2 months
- Chocolate slices that were attractively packed in sets of 6 and had a shelf-life of 6 weeks
- Special occasion cakes for events such as birthdays and weddings, which were made to order

In February 2002 Nadeen and Myra set themselves up in partnership and called their business 'Cakes and Cookies'. Nadeen lived in a large house in a village 8 kilometres from a busy town and they were able to operate the business from her kitchen. They divided their time between baking, marketing and delivery. This meant they were at work very early in the morning to do the baking together. Then Myra would spend the late morning and early afternoon in the local town marketing products and visiting customers, while Nadeen dealt with packaging and ordering supplies. The paperwork usually got done in the evenings and at weekends.

They soon established regular customers in the local town. These were mainly the cafés and one of the gift stores. In addition, they had regular custom from family, friends and neighbours.

Myra spent a lot of time visiting local businesses and by June 2003 their products were being sold in a number of local food shops and cafés. The demand for their products was growing. Each of the established customers, particularly the food shops, wanted to place larger orders. Also word of the quality and success of their products was spreading and demand was increasing from shops and cafés in other towns in the district. The size of the operation was now too big for Nadeen's kitchen, so they decided to move to rented premises on the outskirts of their local town. Nadeen and Myra were still doing all of the baking themselves, but they hired an assistant to deal with suppliers, take orders over the telephone and deal with administration. The business continued to grow.

By early 2005 Cakes and Cookies was supplying a range of local shops and cafés with products and there was increasing interest from gift shops that wanted the cakes and cookies with special packaging. The rented premises were fully utilised with three ovens continuously in use. Nadeen and Myra were now spending most of their time baking, which meant that Myra was spending less time visiting existing or potential customers. They had hired a full-time baking assistant and a full-time driver to make the deliveries. Production capacity was at maximum and Cakes and Cookies was now making a profit.

Issues and concerns

Since early 2005 the popularity of Cakes and Cookies has continued to grow, which is very exciting for Nadeen and Myra. They are still very keen to work together and are proud of their achievements so far. However, they believe the time has come for change.

- Both Nadeen and Myra are working very long hours and would like to spend less time in the kitchen
- The rented premises are working at maximum capacity and Nadeen and Myra are having to refuse orders
- Nadeen and Myra do not have any storage capacity and are aware of the short shelf-life of their products
- A number of shops are now requesting larger amounts of products on a regular basis
- The number of shops placing regular orders has grown. These orders are particularly for the small and medium sized cakes
- Four local cafés sell Nadeen and Myra's products and require daily deliveries of the medium sized cakes
- Gift shops place orders monthly for custom-packaged biscuits/cookies and the small fruit cakes
- Two local bakery stores have contracted Cakes and Cookies to make special occasion cakes on demand – these usually have a three to four week lead time
- Friends and family still expect Nadeen and Myra to supply their needs

Options considered by Nadeen and Myra

A number of possible options have been considered by Nadeen and Myra and these are listed below:

- 1 Limit the sales to the current customer base and continue as they are (this is their least favoured option)
- 2 Spend less time in the kitchen and hire 2 full-time bakers; Nadeen and Myra could then spend more time on customer contact and marketing
- 3 Move to larger premises in the same area, purchase additional equipment and hire additional staff to increase production

- 4 Retain the existing local premises and establish a second production unit on the outskirts of another town in the region; invest in new equipment and staff and use these premises to service customers in that area, so taking some of the pressure off the current premises
- 5 Increase profit margins by selling more of the smaller cakes, biscuits and cookies to gift and speciality shops
- 6 Open a shop of their own to sell directly to the public

Nadeen and Myra recognise that this list is not exhaustive and that there may be a number of other options for them to consider. What is certain is that the demand for their output is still growing and there are further opportunities for growth based on the following:

- increasing the customer base locally
- extending the customer base by supplying customers across a wider geographical area
- increasing the range of cakes, biscuits and cookies
- increasing the range of sizes of cakes offered
- offering more specially packaged items for specialist shops and stores requiring their own brand name on goods
- developing relationships with event management organisations to supply cakes for special occasions such as weddings and parties

The Task

Nadeen and Myra have asked you to help them with the decisions that need to be made. They recognise that changes must be made if Cakes and Cookies is to survive, but they are unsure what changes to make.

You are asked to prepare the following:

- An analysis of the current business that will illustrate the need for change and the realistic options available
- A basic cost-benefit analysis of selected change options
- An analysis of the change process that needs to take place and how this will impact on Nadeen and Myra, both at a personal level and in the business. You should also consider their roles in the changed business and how this will impact on the rest of the staff
- Suggestions for financing the suggested change plans
- Information that will be needed to proceed with the changes and where this can be obtained
- Suggestions for structure, general management, communications and financial management in the changed business

Your report should be addressed to Nadeen and Myra.

Information about Cakes and Cookies, which is not given, may be assumed, and all such assumptions should be stated and justified.

In writing the report, you should adopt a business format in the style of a consultant and show how knowledge and understanding of general management have been applied.

At the start of your assignment report, indicate the number of words used, which should not exceed the maximum permitted total of 5000.

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.