



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

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**CASE STUDY**

**4267/01**

Core Module

**Valid between 1 January 2007 and 31 December 2007**

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**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 organisations described in this case study are entirely fictitious.

The length of the assignment must be no more than 8000 words. Marks will be deducted from assignments that exceed the word limit.

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This document consists of **4** printed pages.



## Case Study – Core Module

### Title: Gates and Fences

#### Background to Gates and Fences

Gates and Fences is a small business that was set up three years ago in Eastern Europe. The company started by producing decorative ironwork for gates and fences. Their original product line consisted of:

- gates that came in 3 different designs with a range of heights and widths
- standard fence units, also in 3 different designs with a range of widths and heights.

In addition, Gates and Fences produced individually designed ironwork for a range of customers.

The business was started by brothers Adam and Marek. In the early days they had plans to stay small and just create ironwork for friends and neighbours in the local area. Their business plan reflected this and they were able to borrow sufficient funds to refurbish the old forge on the main road into town. Adam and Marek, whose ancestors had been blacksmiths, owned this. The forge was conveniently situated next door to the old farmhouse where both families lived.

During the first year of operation, Adam and Marek worked hard at their craft and only just managed to meet the demand for their goods. It soon became clear that they needed to expand so they borrowed more money to extend the forge and employ another blacksmith. The amount of administration was also growing so Alexis and Maria, the owners' wives, joined the business. Alexis dealt with orders and supplies and Maria managed the finances.

Gates and Fences continued to use traditional forge techniques, but after commissioning the services of a design consultant, they combined these with IT equipment to create gate and fence designs on computer for customers to view and agree before production.

The business continued to grow, with sales more than doubling in the second year of trading. A small profit was made at the end of this year.

Soon the business was being approached by a wider range of potential customers and the work became more complex. Adam and Marek decided to convert a room to a studio where customers could come in and see examples of work and use the IT system to view designs and see some of these in position.

With continued growth, Gates and Fences decided to be selective about the work they took on, maintaining a focus on high quality products and good customer service. This meant they were able to charge a sufficiently high price to ensure a healthy profit on each commission. To help with cash flow, each customer is required to pay a 35% deposit at the time of placing the order with the balance due on delivery. In addition, sufficient basic materials are kept in stock to meet each order.

This approach means that customers are invoiced before suppliers' bills have to be paid.

### **The Current Position**

Today, Gates and Fences is a highly successful business that has expanded beyond the original standard ironwork. Much of the work is especially designed for customers and they are used regularly by architects and builders. The company has also expanded into restoration of old ironwork in the main towns and cities in their country, as well as designing and producing interior fittings for buildings, such as light fittings, stair rails and so on.

All administration and accounting processes are computerised and there is a web page to advertise their products and services. As their reputation has spread, orders are often managed on-line, particularly for the larger building companies.

The business now comprises Adam, Marek, Alexis and Maria, 2 full-time blacksmiths, a delivery driver (for local customers), a sales representative and a receptionist.

Bank loans are being paid off over the next 10 years at the local bank rate and profits are very healthy. The order book is full for the next 6 months with some capacity to respond to urgent requests.

### **The Challenges for the Future**

The market for ironwork is continuing to grow and the owners are keen to expand. However, Gates and Fences does not have the capacity to expand any further in the current premises or with the existing staff.

Adam and Marek are keen to further target architects and builders, as these customers tend to place larger orders and the profit margin is greater. They also believe that better use could be made of new technology, both in terms of managing the business and in increasing sales.

One major challenge has been meeting the increased number of orders from other countries, particularly from builders and architects working on high quality buildings around the world.

Decisions need to be made for the future strategy of Gates and Fences. Adam and Marek would like your assistance in deciding what action to take. The options they are considering include the following:

- Maintain the 'small' image and find other forges in another part of their country with one of these forges managing the export orders
- Turn the refurbished forge into a show room and move the entire operation to large industrial premises on the edge of town, from where they can service local customers and deal with exports

- Establish a new forge in another country and move Adam and Alexis there to run it with local staff
- Identify skilled craftsmen in a range of countries and franchise the operation

They recognise that this list is not exhaustive and would be interested if you have other ideas.

### **The Task**

Adam and Marek would like you to consider the options open to them to expand. They would like you to help them arrive at an expansion strategy and draft an outline business plan. You will need to take account of the following:

- The availability of supplies at new locations
- The availability of appropriate staff/employees
- The overall strategy and culture of the business including approaches to issues of quality and service levels
- Financial implications of the expansion options
- Information management solutions, both for the new business site and for management between the “parent company” and its subsidiaries
- Organisational structure issues for the expanded business
- Any external issues that could affect future sales, profits and growth

Your report should clearly indicate the research and analysis that you have carried out, the recommendations you are making and your justification for these.

You should address your report to Adam and Marek.

Information about Gates and Fences that is not given may be assumed and all such assumptions should be stated and justified.

In writing the report, you should adopt an appropriate business format and show how knowledge and understanding of general management, strategic and financial planning have been applied. You should include in your report your research methodology.

At the start of your assignment report, indicate the number of words used, which should not exceed the maximum permitted total of 8000.

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