

3. Steve Rogers is a successful entrepreneur who owns ten restaurants employing over 200 people.

Four years ago, Steve bought up two restaurants in the Manchester area. The two restaurants are run by managers: Jason runs 'The White Fox', and Anna runs the 'The Grange'. Steve's experience has taught him that one key to business success is to keep costs under control, and every six months he meets with each restaurant manager to agree a budget and discuss any other issues that he has concerns about.

Anna was excellent at both preparing and meeting her budget, but Jason always spent far too much on ingredients and never met his budgeted cost target. In addition, his restaurant always had to sell more meals each month than Anna's before breaking even. Steve Rogers produced the table below to illustrate to Jason his concerns.

Table 1

	The White Fox	The Grange
Fixed Costs per Month	£6,600	£7,700
Average variable cost per meal	£9	£6
Average selling price per meal	£20	£20

Although The White Fox was very popular, and the staff were happy in their work, Steve Rogers felt it should be more profitable. This profitability problem was also apparent in a number of his other restaurants where managers were tending to overspend on the budgets that they had agreed with Steve. He therefore decided to set up a separate **purchasing department** which would, in future, buy everything that all ten of his restaurants needed.

Whilst Anna's financial management and marketing skills were impressive other problems were apparent at The Grange. Staff turnover was very high and the thirty staff who currently worked there had all recently signed and sent a letter to Steve complaining about how unhappy and bored they were in their work. They pointed out that Anna constantly monitored their work and never consulted them, showing no trust in them whatsoever. When he showed the letter to Anna, she responded by saying that they were the best-paid restaurant workers in the area. Steve was disappointed with this response as he had already talked to Anna in the past about her '**Theory X**' **approach to the management of her staff**. He asked her to try to resolve the problem by thinking of more imaginative ways in which she might motivate those people who worked for her.

Managing people was never easy: Steve reflected that if he could combine the talents of both Jason and Anna, he would have the ideal restaurant manager.

- (a) Using the figures in Table 1, calculate how **many more meals per month** The White Fox has to sell to break-even when compared with The Grange. (Show your workings.) [4]
- (b) Consider **both** the benefits and drawbacks of budgeting to Steve Rogers' business. [8]
- (c) Explain **two** advantages to Steve of setting up one purchasing department for all of his restaurants. [4]
- (d) Explain what is meant by Anna's *Theory X approach to the management of her staff*. [4]
- (e) Evaluate various ways in which Anna could improve the motivation of her staff. [12]