

GNVQ INTERMEDIATE BUSINESS

HOW BUSINESS WORKS

ASSIGNMENT 1



I have produced a Case Study on Cafedirect, which is a well-known coffee supplier in the U.K. It is an Ltd business, because the organisation is owned and operated by private individuals. In this assignment I will try to produce evidence that shows I understand how the business works, what it sets out to do, how it is organised and how it looks after its customers.

P1 A description of what the business does, what its aims and objectives are

In this section of my assignment I have to give a description of what the business does what its aims and objectives.

Cafedirect is the UK's leading fairtrade company - providing the best deal for coffee and tea growers in the developing world. In return, cafédirect are able to supply their customers with some of the highest quality teas and coffees. Basically this means the coffee is purchased direct from the grower's co-operatives, not from the middlemen. The price paid is never lower than an agreed minimum, regardless of any fall in world market price reductions. When the world price goes above this minimum, Cafédirect pays an extra 10% social premium. Pre-payments, regular price updates and a business development program all go to help the growers help themselves by negotiating better terms for all their coffee. By building strong partnerships with growers, guaranteeing a good price, with a shared aim of producing the best coffee, by doing this Cafedirect enables the growers to invest back into their businesses and communities. This way everyone benefits, Growers are more secure and better able to improve the quality of their crop, so we the consumer get a better cup of coffee. Cafedirect has many major competitors such as Nescafe, Kenco, Maxell House and Carte Noire.

Cafedirect's mission statement is *"To be the leading brand which strengthens the influence, income and security of producer partners in the south and links them directly to the consumer."* Its success is built on the inter-dependence of the company and the producers and their relationships with other organisations.

(Source www.cafedirect.co.uk)

Cafedirect aims and objectives are to achieve the following targets:

- 10% share of roast and ground market sector (UK)
- 4% share of the freeze dried market
- 1% share of tea market sector

- Making a profit
- Increase turnover to £22million by 2005 to make it five times more
- Improving the quality of the coffee
- Being environmentally friendly

Several initiatives are being developed by Cafedirect to achieve these targets:

- Cafedirect has decided to Working alongside MBA students, the company plans to broaden out with new partnerships and alliances for Cafedirect to establish roots in other markets
- Supporting the development of local markets in the producer's countries. E.g. Cafedirect is discussing its involvement in a new consortium to be established in Peru by the co-operatives to increase local consumption.
- Development in food service sectors in the UK
- Launching into other international markets in the developed world such as Ireland during the end of this year. Expanding retail market sectors e.g. within multiple convenience sector, cash and carry and independent retailers.

Cafedirect aims to balance the business of making money with the business of making lives better. At the heart of its operations are the 1m small scale tea and coffee growers and their families, the company works closely with them to ensure that it delivers the best quality product to hot beverage drinkers in the UK - while at the same time offering producer communities the finances and support they need to evolve from poverty. Today it is the leading Fairtrade hot beverage business in the UK and has blazed the trail for ethical trading since its inception as the first British Fairtrade coffee company in 1991.

P2 A description of the purposes and activities of four areas of the business, including human resources (but not customer services)

In this section of my assignment I have to write about the purposes and activities of four functional areas within my chosen business.

Human Resources

Human Resources are one of the most important functions in any business. It covers:

- Recruitment, retention and dismissal of employees
- Working conditions
- Health and safety
- Training, development and promotion
- Dealing with employee organisations and trade unions.

Cafedirect employs people who share its belief in Fairtrade and its principles. This must also be matched with the right business background for each particular job. People who work at Cafedirect are able to work independently as well as part of a team.

Cafedirect works to ensure that all its employees make best possible use of opportunities for learning and personal development, whether specific job related skills or opportunities for wider personal development. Cafedirect's producers are at the centre of its operations and all employees have the opportunity to learn more about the issues facing them either here in the UK, when representatives from all 30 co-operatives attend the biennial producer's conference, or when staff has the opportunity to visit the co-operatives themselves. Cafedirect producers frequently visit the UK for training or promotional activity. During these visits they often spend time with the team updating them on their work, their community, the challenges they face and hurdles overcome, as well as the future. This often proves to be very motivational as it reinforces Cafedirect's purpose to improve the lives of its producers.

Cafedirect is committed to treating all members of staff and applicants for employment in the same way; at cafedirect all the employees have rights regardless of gender, sexual orientation, race, ethnic origin, marital status, age, disability or religion.

Marketing

The market activities of a business are designed to ensure that it identifies what the customer needs and providing it. Each employee at Cafedirect is highly focused on fulfilling the customers needs, the staff at Cafedirect are also keen to find out what else they can do to keep customers happy and what additional needs customers may have that they don't even know about.

Cafedirect invests more than a third (36%) of its gross profit into marketing and product development to ensure growth, to raise awareness of Fairtrade, and to communicate the brand and product range. The system of developing sales and new markets is not dissimilar to other companies. However, the unique feature in the Cafedirect process is to match consumer needs with those of its producers. This adds a degree of complexity to the process but is crucial to its mission. When a new product is developed, Cafedirect examines both consumer and producer requirements. Cafedirect identifies new product lines, conducts feasibility studies with producers to establish the most effective production processes, and then brings it to market with a comprehensive sales and marketing programme.

Cafedirect's full ranges of coffee and tea products are available from major supermarkets and most independent retailers. Its products are mainly targeted at the older generation but a recent development on the marketing front is the new premium instant coffee brand '5065', launched in 2002 to attract younger customers.

Finance

Businesses receive money in return for the goods and service they sell. This is their revenue. For this, they must pay for those goods and services they use in running the business and producing the goods and services they supply. The main purpose of finance is to keep track of all the money going in and out of the business. The overall activities of the finance function can be grouped into three main areas:

- Preparing accounts
- Paying wages and salaries
- Obtaining capital and resources.

From the information I have gathered during the past few weeks, I have found out that Cafedirect is a profit re-invested company with small dividends paid annually to shareholders while profit is largely re-invested to promote continued growth and development.

Cafedirect is undergoing a capital restructuring programme to fund future expansion plans and has recently capitalised £750,000 of distributable reserves.

This is the current capital structure of Cafedirect:

	£
Ordinary £1 shares	880,000
10% Preference shares	97,500
Reserves	292,000
Total Equity	1,269,500
Members loans	119,115

This is Cafedirect most recent and up to date sales figures for the U.K.

For the 18 months (to Sep 01) Cafedirect's financial results were as follows:

Turnover	£12m
Profits (gross)	£512k
PS&D investment	£375k
Producer premiums paid (coffee)	£1.6m
Producer premiums paid (tea)	£202k

(Source www.biz/ed.ac.uk)

Production

The production function is responsible for making the goods or services that are provided by the business. This involves the use of capital and resources including:

- Buildings and land, such as offices, factories, shops, farmland
- Equipment, such as vehicles, computers, machinery
- People, such as operatives, managers, support staff
- Materials, such as products for retailing, raw materials

All of Cafedirect's products such as their coffee are brought from various countries around the world. Cafedirect buys its coffee from five African producer partners; four are in the east African countries of Tanzania and Uganda and one is from Cameroon in West Africa. All their products are made with the highest quality which is as high as the mountains in Africa.

This picture was taken from the cafedirect website. It shows a young African worker collecting coffee leaves.



P3 A description of how the equal opportunities of employees are safeguarded by legislation

In this section I have to give a description of how the equal opportunities of employees are safe guarded by legislation. All employers and employees have rights and responsibilities that are all laid down in employment law. There are four main Acts that all employers must follow:

1. The Employment Rights Act 1996 was created so every employee has the right to holidays, leave, payslips, redundancy payment, and maternity leave. This Act covers virtually all of the main rights of employees.
2. The Race Relations Act 1976 was created so everyone would be treated equally, whatever their colour race religion nationality citizenship or ethnic origin. This Act makes it unlawful for anyone to be discriminated against on grounds of colour, race, nationality or ethnic origin.

3. The Sex Discrimination Act 1975 was created to stop discrimination between males and females as this occurs in training, recruiting, dismissing and promotion prospects. This Act makes it illegal for anyone to be discriminated against on grounds of gender – either directly or indirectly
4. The Disability discrimination Act 1995 was created so that people with disabilities would not get discriminated in employment. This Act is concerned with employers that treat a disabled person less favorably than able-bodied persons.

Without any of these legislation's in place anyone could get treated unfairly at work.

Here are a few examples of how the Acts can be used;

If an Asian went to get a job at a company and was told by the boss that he couldn't have a job because no Asians worked there, this would be discrimination because of his colour and that person would be able to take further action and take him to court using the Race Relations Act 1976.

If a woman applies for a job as lawyer and she is very qualified but doesn't get it because a man with fewer qualifications has got the job, this is sex discrimination and she could take this further using the Sex Discrimination Act 1975.

If Employment law and Equal Opportunities weren't in place there would be no equality. This would affect millions of people in the work place.

P4 A description of how the different areas of business communicate with each other and with people outside the business

In this section I have to give a description of how the different areas of business at Cafedirect communicate with each other and with their customers.

The Communication in business leads to the efficient running of a business. Communication is the passing on or exchanging of ideas or feelings.

Communications within a business is very important to the business itself and the employees that work there. If the business didn't communicate with each other the employees would not know what to do and the owner wouldn't know what is happening. The communications between many large businesses is usually very formal unlike a smaller business that would use informal communication between each other. There are different types of communications used within a business in different departments such as:

Internal communication: takes place within a business for many reasons:

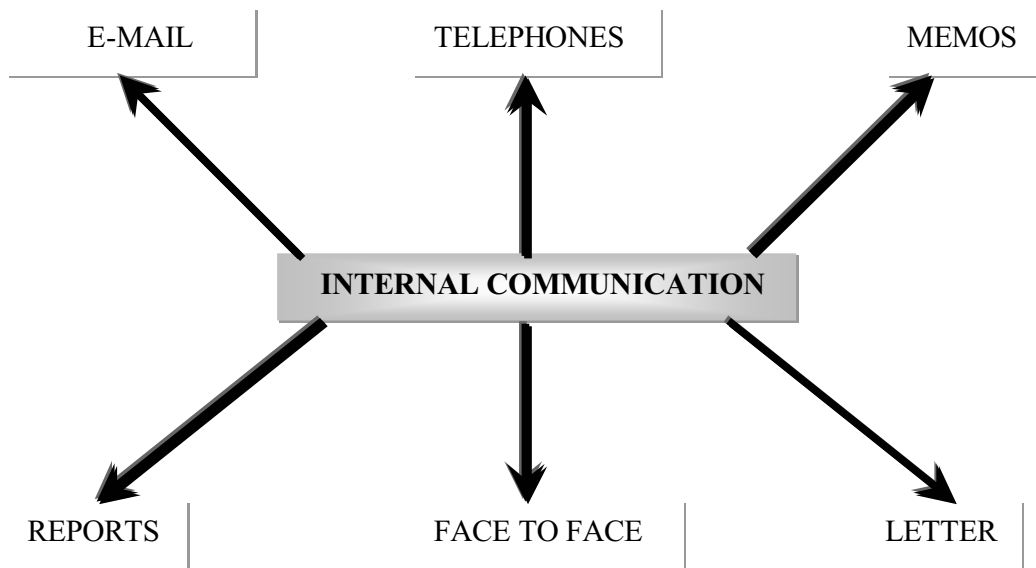
- To give instruction
- To improve morale
- To start action
- To influence action
- To clarify issues and points
- To pass on information

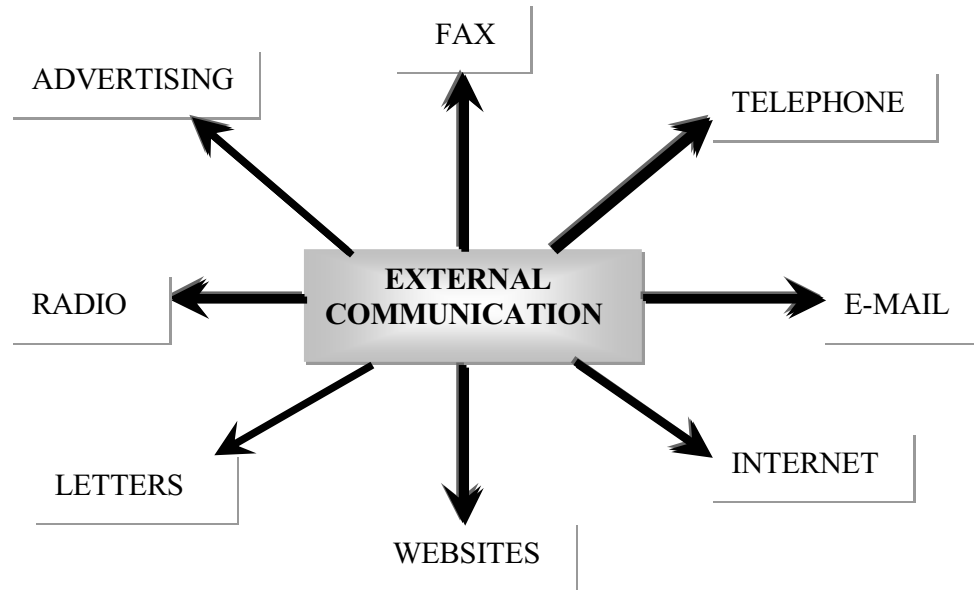
To gather information.

Management communicates with each other concerning the businesses overall strategy and they communicate plans to employees. Employees communicate in order to get the job done, for morale reasons and over issues such as wages and health and safety.

External Communication: takes place when the director, manager or employees communicate with those outside the business in order to:

- Provide information
- Improve customer service
- Give instructions
- Confirm arrangements





All types of communication fall into two main categories, which are written and oral.

Written Communication

Memos

- Used to pass on information, instruction and enquiries within a business
- The most widely used form of internal communication
- Less formal than a letter and not signed
- Can be sent by e-mail from one computer to another

Reports

- Drawn up for a particular purpose by someone who has studied facts or issues
- Formal written documents
- Form the basis of decision-making, for example concerning a proposed new product, or change in company policy

Notices and Company Journals

- Used to provide employees with information about developments in the business, job vacancies and any other items of interest to employees
- Notices are displayed in a prominent place
- Company journals are an important form of communication in large organizations

Agenda and Minutes

- At formal meetings there is a written agenda - a summary of the main events to take place at the meeting

- Must contain the date, time and place of the meeting
- Sent in advance to all of the people who are expected to attend the meeting
- The minutes of the meeting are a written record of what takes place and what has been agreed

Oral Communication

Meetings

- Face-to-face verbal communication
- A written agenda and minutes usually support formal meetings
- The most important meeting for a limited company is the **Annual General Meeting**, where the directors outline their plans for the business to the shareholders, company performance is discussed and directors may stand for re-election

Telephone

- Both an internal and external form of communication
- Fast and flexible but no permanent record is kept of the conversation

Teams

- Many businesses now have project teams who work together. Communication is within the team that makes it quicker to communicate with each other

Quality Circles

- Consist of employees of a business who meet on a regular basis to discuss company matters, suggest improvements in work practices, production etc. This aids communication, efficiency and motivation

Visual Communication

Visual communication includes video, posters, television and multimedia such as video-link. Computers and virtual reality can be good training aids.

Information technology allows fast communication and networking. The Internet allows employee's access to the Worldwide Web and to work from home.

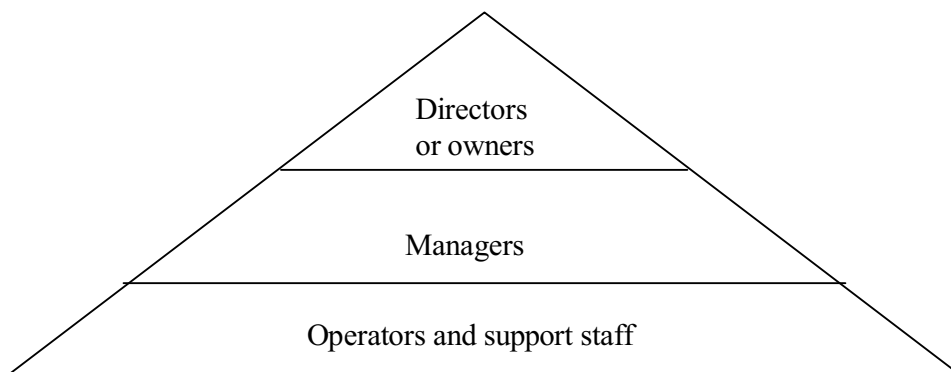
P5 A description of the organisational structure of the business and a comparison with a contrasting structure

The way a business is structured depends on specific functional areas and the needs of the business. Having an organisational structure is important because the employees

know where a particular job and by whom it is done. A structure is needed for the employees to work efficiently, and communicate with each other easily. In business an organisational structure helps the employers and employees to easily assist the business to achieve its aims and objectives.

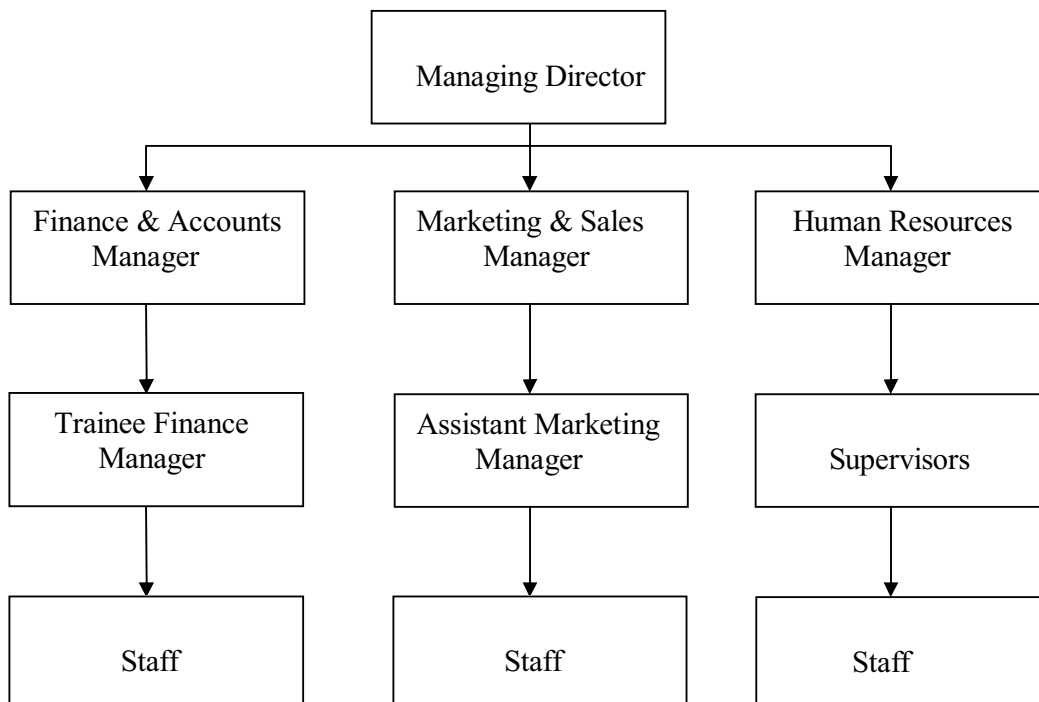
There are many different structures a business could have, the most common and traditional structure is a hierarchical structure- this structure is based on levels of authority and responsibility. A hierarchical structure is usually in a form of a pyramid. If an organisation reduces the number of levels of management it becomes a small structure that is known as a flat structure. There is also a third structure which is known as a matrix, this structure is usually used for a specific project e.g. building a bridge or a skyscraper.

The diagram below shows an example of a flat structure.



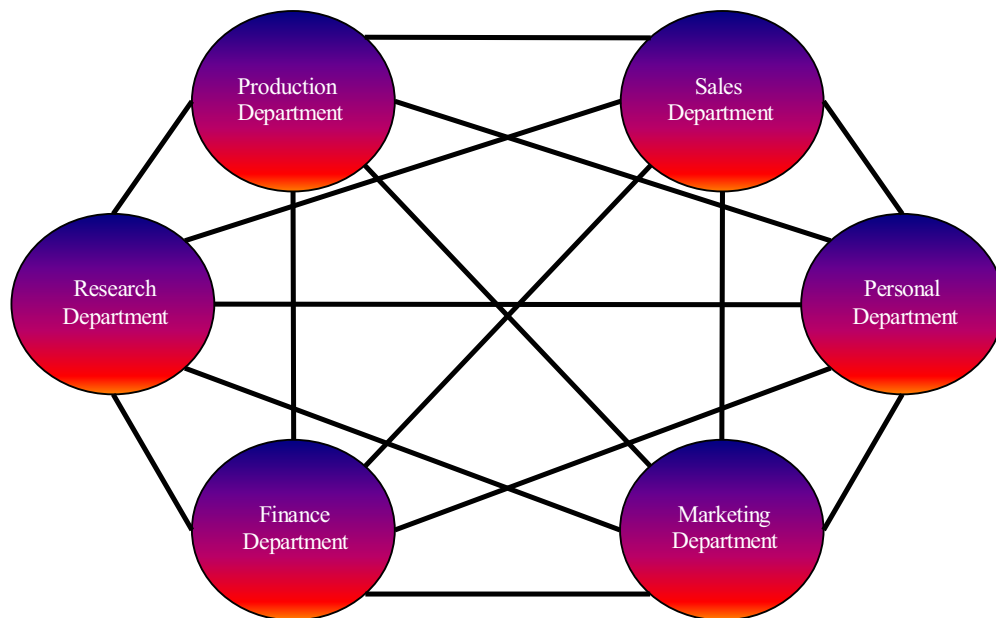
A flat structure usually has three levels of management.

The diagram below shows an example of a hierarchical structure, which shows the position, line of authority and responsibility for each employee.



A hierarchical structure is taller than the flat structure and has many layers.

The diagram below shows an example of a matrix structure.



This is a matrix structure, which is neither a flat structure nor a hierarchical structure. In this structure all the departments within an organisation share their knowledge with each other and give advice about different aspects of the project they are working on.

The organisational structure of cafedirect is a tall structure (hierarchical). This is the team that works for cafedirect.

Managing Director – Penny Newman
 PA to Managing Director – Alison Yesildag
 PA/Office Manager – Katrina Pantelli
 Receptionist – Kate Richards
Marketing Department
 Strategic Development Manager – Sylvie Condette
 Promotions Manager – Safina Hussein
 Communications Manager – Josephine Sutherland
 Campaigns/PS&D Manager – Niall McGarry
 New Product Development Manager – Rowan Dean
Sales Department
 National Account Manager Food Service – Nicola O'Donnell
Sales Partners
 Bridgethorne Trading Ltd
Finance Department
 Financial Controller – Phil King
 Management Accountant – Angela Best
 Financial Assistant – Gavin Morris

Supply Chain Manager – Angela Angelillo

Agencies Partners

CBH, Fatbeehive, Host Universal, Leadbetter PR,
Starcom Motive

Board of Directors

Martin Meteyard, Robin Murray, Penny Newman,
Jean Floodgate, Geoffrey Tudhope, Kofi Sarpong,
Chris Coe, Andy Redfern

As you can see above Cafedirect has many levels of management. At the top of the structure you have got the managing director who is Penny Newman and below the managing director has many levels of less senior managers, middle managers, junior managers, supervisors, operatives and support staff. The number of employees a manager has authority over is called their span of control. The communication in a hierarchical structure usually is formal because most people who work in this type of structure are always very professional in what they do and how they communicate with each other.

The advantages of having a hierarchical structure are for cafedirect:

- There will be a clear job role for the employees
- Good promotion prospects
- A clear pay structure
- Specified holiday entitlement, pay scales and company pension schemes
- Large number of colleagues
- A human resources function
- Wider range of facilities such as canteen and social clubs
- The employees have an opportunity to join a union

There are also disadvantages for having a hierarchical structure, which are:

- There is no limit to the number of levels of management
- Communication between each level of management is slower as it takes time for information to flow upwards and downwards
- Information passed on could be interpreted differently due to the many layers of management

In contrast with Cafedirect, which is one of the leading coffee manufactures in the UK, a small chip shop would have a flat structure. A flat structure usually has only three levels of management, which is ideal for a small organisation.

The advantage for a chip shop to have a flat structure would be:

- The flow of information between each other is much quicker
- There is a faster response to problems
- Because there are only a few layers of management the employees feel they have more responsibility, which give them their motivation to work harder.

A flat structure doesn't have any disadvantages like a hierarchical structure due to the reduced levels of management.

P6 An appropriate list of sources of evidence you used in your research

The information below is the sources that I used for my assignment.

Internet Sources

www.cafedirect.co.uk

www.bized.ac.uk

Text books

Name: GNVQ Intermediate Business

Publisher: Heinemann

Author: Carol Carysforth and Mike Neild

Name: Intermediate Business

Publisher: Osborne Books LTD

Author: Michael Fardon, Glynis Frater and John Prokopiw

Name: GNVQ Intermediate Business, Second Edition

Publisher: Collins

Author: Chris J. Nutall

