

GCSE
Business Studies
Coursework

Comparing the

Clock Shop



With
Cadburys

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Introduction

I am going to carry out an investigation into the operations of two contrasting organisations. The companies I will be studying are Cadbury's and the Clock Shop. I will find out how they carry out their operations at the moment, and whether there are any areas for improvement.

I am going to explain the different types of job production methods that each business uses and state the advantages and disadvantages to them. I will carry out comparisons of the two companies, analyse the technology they use, investigate the use of quality control and the role of staff management. Finally I shall evaluate the research I have collected and suggest recommendations.

Cadbury's World

Cadbury's world, the largest confectionary business in the world, is a public limited company based in Birmingham. Cadbury's World opened in 1990, and uses batch and flow production to create confectionary products. Cadbury made pre-paid tax profits of £78m last year, on sales of £7.4bn (Telegraph Newspaper, June 18, 2007).

A **public limited company** is a company that has limited liability and can sell its shares to the public on the stock exchange.

The Clock Shop

Steve Fletcher owns the Clock Shop, Witney. He is a sole trader and he uses job production to produce one off, modern clocks. He started making and selling clocks in 2005.

A **sole trader** is a business organisation where one person is the owner who has sole responsibility for the business. He has unlimited liability.

Steve Fletcher has always wanted to express his clock knowledge in more artistic ways. He graduated from the British Horological Institute in 1975, gaining a first-class pass. He immediately set up his own clock-making business, helped by his father and grandfather who are also horologists. In between repairs and restorations, Steve has always experimented with innovative clock designs, albeit on paper. A year ago, he decided to open his clock art gallery to give space to his exclusive, contemporary designs.

Action Plan

Date	What I intend to achieve	Resources	Problems/Adjustments
May 2007	Task 1 - Introduction Task 2 – Develop this action plan through time Task 3 – Collect research	Interview- Steve Fletcher Visit to Cadburys – Colin Pitts Teacher	Task 2 – action plan is on going adjusting/planning throughout coursework task
June-Aug 20-22 email-3 rd Aug 15-16 22 nd	Using research complete tasks 3 4 & 5 Stating aims of business, analyse production methods	Data collected From interviews and information collected Text book	Misplaced some information about Cadbury, asked another pupil for information (which we all collected) - I also sent email to Cadbury to collect more information
Sept 7-8 th	Task 6 Analysing technology	Data collected from interviews. Text book	
Oct 10-12 th	Task 7 Analysing quality control	Data collected from interviews. Text book Teacher for guidance for information	Found it hard to collect relevant information Cadbury website was out for a while
Nov 11-12 th 24-25 th	Task 8 Staff management	Book for information on motivational techniques and training	
Dec 4-5 th 12-13 th	Task 9 Recommendations		I found this task hard to conduct there were few points to make to Cadburys as it is a well established, large, successful business
Jan 2-3 rd 12 th	Task 10 Finalize coursework Create contents and bibliography State page numbers		

Research and Data Collection

Production is 'The creation of value or wealth by producing goods and services.' - <http://dictionary.reference.com>

There are three different types of production:

1) Job production- this is when each product is made individually to meet each customer's specific order giving scope for a wide variety of products. It is usually undertaken by small firms and often uses skilled labour. An example of job production is wedding dressmaking.

2) Batch production- this consists of the manufacture of a small number (batch) of a product, usually to meet a particular order. Production is carried out in a relatively small number of operations and the whole batch goes through each operation before going on the next stage. An example of batch production is a cake manufacturer.

3) Flow production- this is a form of mass production and the item is made on a production line. The product is made by being moved through a series of stages, each adding to the previous. Flow production is only suited to very large businesses and generally uses unskilled or semi-skilled labour. An example of flow production is the manufacture of cars.

Advantages to the Methods of Production		
Job	Flow	Batch
Unique, high quality goods or services are produced to the requirements of the customer	Labour costs are low and materials can be purchased in large quantities	It allows for the use of machinery which speeds up production
Tasks are more interesting as the products vary		Producing in larger numbers lowers unit costs
Workers are well motivated and take pride in their work	Low unit costs mean relatively cheap goods	Materials can be brought in larger quantities
		Overall, costs are lower, resulting in lower selling prices
	Continuous, often 24 hour production is possible, producing large numbers of goods	It allows for some flexibility, with batches being made to customers' requirements
		Employees concentrate on one part of the process, reducing the need for highly skilled labour
Disadvantages to the Methods of Production		
Selling prices are higher because it is labour intensive	Machinery is very expensive and the costs of setting up the production line are very high	Goods made in batches need storage space until they are sold. This is costly
Materials are brought in small quantities, making them more expensive		
Goods take a long time to make and it is difficult to speed up production	If one part of the line breaks down, production has to be halted until it can be repaired or replaced	Resetting machinery between batches causes delays in production and loss of output
	It is very inflexible as a production line is difficult to adapt	Workers may be less motivated because the work is more repetitive
	The work is repetitive and boring with little job satisfaction	Partly finished goods have to be moved frequently from one worker to another

Comparing methods of production

Cadburys uses a mixture of batch and flow production.

Flow production is where products are made continuously on a production line. It is used for making large quantities of similar products at a high speed. In this case chocolate goods (eg crème eggs) are manufactured by being moved through a series of stages, each adding to the previous until the product is complete.

This method of production is a form of mass production and is usually capital intensive. Flow production uses division of labour, this means each worker specialises in one job on the production line. Flow production is only suited to very large businesses whose products have a national or international market, it can be used in the manufacture of products such as cars and electrical goods.

Batch production is a more common type of production where ranges of different products are made in sets or batches. Batch production consists of the manufacture of a small number of products, often made to meet a particular order. Production is carried out in a relatively small number of operations and the whole batch goes through each operation before going on to the next stage. Like flow production it uses division of labour.

The chocolates are made in batches again using flow production with the whole batch going through each stage together. For example, Cadburys Fruit and Nut batch, then machines adjusted for the next batch, for example, Cadburys Flake.

The Clock Shop however uses job production. This is when each product is made individually to meet each customer's specific order, rather than in mass. Job production is a very labour intensive method of production, which means it relies heavily on labour rather than machines as in batch and flow and it often involves skilled labour or crafts men. With Job production the emphasis is on quality rather than quantity and it is usually undertaken by smaller firms.

The advantages of using flow production are that the chocolates are produced in mass continuously. It is the cheapest type of production and the level of output is high.

Job production however is labour intensive and the most expensive type of production. Products made by job production are often very expensive as there are few economies of scale as every product is made to a customer's specific needs meaning materials cannot be ordered in bulk. Whereas with batch and flow, the materials can be bought in large quantities, which results in lower unit costs.

With batch and flow the production line is mechanised so it is quicker and easier as just one person can control it. If any labour is needed it can usually be unskilled or semi-skilled, this means labour costs are low, but The Clock Shop requires skilled workers and specific equipment.

The use of machines means jobs are very repetitive so labour may be unmotivated, it may also mean a delay in production, as the machines will need resetting when production is switched from one flavour of chocolate to another. The employees in a The Clock Shop however are usually highly motivated as the job is varied and interesting, as it requires a skill.

Flow production is very inflexible as it is difficult to adapt the production line should any changes need to be made. Batch production is also reasonably inflexible. Once a batch of chocolates is in production it cannot be changed. Job production however is very flexible and can be adapted to the customers needs. This means the customer can have a clock made exactly how they want it and it can easily be changed, therefore the customer is prepared to pay a high price.

As a large number of products are made in Batch and flow production, goods often need to be stored. This is both complicated with health and safety rules and expensive, as a lot of space is needed. However Cadburys do have a large storage area.

With flow production only one type of product can be made and this cannot be varied. It is also a capital-intensive method of production meaning a lot of money is needed to install. Batch production is also capital intensive, but unlike flow production produces a variety of items, which can be altered. This means Cadburys can make different chocolates and vary the flavours. However by using job production The Clock Shop can complete one off projects and there is scope for a much wider variety of products.

Comparing the Use of Technology

Cadburys chocolate started from one little shop. Now production is now a lot more developed and automated. Cadburys uses the following technology:

- **Computer Aided Manufacture (CAM)** is when a computer controls and performs some of the manufacturing processes.
- **Computer Aided Design (CAD)** is when whole projects are designed on the computer. Thus any small amendments or changes can be made very easily without having to rebuild a new model. The accuracy with which the computer can draw is much better than a person as well.
- **Computer Integrated Manufacturing (CIM)** is a combination of CAD and CAM. Computers are now involved in all stages of production from the initial stages designing the product, through to its construction or manufacture.

Although initially expensive to install, this means very little labour is needed and work is completed more accurately and can be duplicated as many times as needed on demand.

- **Just-in-time** is a Japanese management philosophy, where, in order to reduce the number of items that have to be kept as stock, the company receives materials and components immediately prior to production beginning, and no earlier.

- **Electronic Point of Sale (EPOS)** is a when a barcode, a set of thick and thin parallel lines which represent a 13-digit code which identifies the product uniquely and indicates the country and origin, the company that made the product, the product code number and package size. When the product comes to the checkout point the goods are passed over a laser scanner, which reads the barcodes and sends the information to the computer, which then is printed onto a receipt.



Cadburys uses all of the above technical methods to achieve maximum production with minimal labour and costs. Cadburys also has a website, email and telephone numbers readily available to the public customers.

There are several financial options, which could be used initially. These can be split into two sections.

Internal finance includes:

- **Profits and Reserves** – profit retained from previous years
- **Selling Assets**- Selling of unused assets to raise finance quickly.
- **Owners Capital**- Owners own money.
- **Run down stocks**- Running down all stock levels before spending more on new things
- **Credit Control**- Chasing up people who owe the company money.

More effective ways of raising a large sum of money would be:

External finance including:

- **Friends and Family**- to supplement owners own capital.
- **Banks**- provides an overdraft, an agreement allowing the business to withdraw more than is deposited. Or a short, medium or long-term loan. With both interests must be paid.
- **Hire Purchase**- a form of credit whereby the manufacturer allows the item to be paid for in instalments while the business has full use of the item.
- **Trade Credit**- When a business does not have to pay for purchases immediately.
- **Leasing**- Instead of buying items, the company can lease to from the supplier, avoids paying out large sums of money but the company doesn't own the item.
- **Government and EU**- Can offer grants and loans to offer incentives for a company to set up or relocate usually in areas of high unemployment.
- **Issuing shares**- Limited companies can issue more shares in order to raise finance.

On the other hand the **Clock Shop** uses very little technology, due to it being a smaller business. A computer is used for keeping books etc. and a digital camera is used for displays, but this is all. The clocks are constructed mainly by hand, only using a small amount of hand held machinery. Use of machines controlled by computers in this business would be inappropriate as fewer products are made. Machines would only be needed if the business was to expand and make its own clocks on mass but this would be expensive to install. Other types of technology would be too costly to in stall and not benefit his small business.

If the Clock Shop were to keep its reputation for being 'high quality' and 'hand made' more labour would be required as those constructing the clocks would not be able to control the machines as well. The location of the business would also have to be changed, as it is currently too small for machines, it would be very expensive initially. The Clock Shop does have a website with contact details and some examples of the work Fletcher does.

It is very easy for Cadburys to get finance if required, as it is a large public limited company. This means banks are much more likely to give out loans to this large company, as it is very likely it will be able to pay it back. Whereas banks are a lot less likely to give out loans to a small sole trading company, as they cannot be easily convinced the company will be able to pay back the loan.

Comparing Quality Control

Both businesses have different laws, which affect them, but as a much larger company Cadburys has many acts, which it must take into consideration.

A table comparing laws affecting Cadburys and the Clock Shop

Clock Shop	Cadburys
<p>Minimum Wage Act - requires the company to pay all employees the minimum wage and the maximum number of hours they can do.</p> <p>Health and Safety Act- this requires health safety and welfare of employees by ensuring equipment is safe in the work place.</p> <p>Discrimination acts also apply to this business such as the Sex Discrimination Act and Race Relations Act- these prevent the discrimination in regards to recruitment, terms and conditions of service, training, promotion and dismissal.</p>	<p>The Health and Safety Act and Discrimination Acts.</p> <p>The Trades Description Act- making it illegal to describe goods and services incorrectly.</p> <p>The Factories Act -means factories must provide the minimum requirements for safety.</p> <p>The Food and Drugs Act- makes it a criminal offence to sell food or drink which is unfit for human consumption or with labelling which misleads people about the quality or nutritional value of the food.</p> <p>Weights and Measures Act- This means it is illegal to sell products that are not the weight specified on the packet.</p>

All these acts affect the companies and limit and restrict how they run the business. For example, both businesses have to pay their employees the minimum wage but Steve Fletcher chooses to pay his workers above the required minimum to get good quality, highly skilled craftsman to repair the clocks.

The main laws that affect Cadburys are the Factories act and Food and Drugs act. When a trace of salmonella got into the factory, all products had to be with returned and sales went down massively.

Cadburys use Total Quality Management to monitor quality. This is when everybody is encouraged to check their own work and to make suggestions for improving their standards.

Quality circles are also used, these are small groups of workers who meet regularly and discuss the production process of the factory, the problems and provide solutions. This motivates workers to be more efficient.

There were also people placed at regular intervals on the production line to throw out food, which was damaged in any way. Metal detectors and machines weighing the finished product were also placed around the factory. Codes are also put on packaging so the product can be traced back to the ingredients used to make it. This Quality control can cut costs and wastage and ensure customer satisfaction.

Again, as smaller the Clock Shop requires less quality control as fewer items are produced making it easier to spot mistakes. It is achieved visually by a method known as quality assurance. This involves the whole process of production and is done as the clocks are being made and again when the final product is finished.

The emphasis is put on the workers being responsible for their own work rather than inspectors doing random checks. This is an efficient and effective way of controlling the quality of the clocks. However, like Cadburys, quality circles could also be used. All the staff could come together and discuss and solve problems with the business. This could result in increased staffing costs but may be beneficial in the long run if sales increase because for example the products are better quality.

But these are used in completely different ways. Steve Fletcher only has 3 workers while Cadburys has thousands. The Clock Shop requires quality checks on a very small scale; therefore Fletcher does it using his visual skill. While Cadburys is a much larger business and has thousands of products and staff to control. This means it can use different methods of quality control.

Comparing Staff Management

Having a happy and motivated workforce can provide enormous benefits for a company. It is very important an employee has job satisfaction; respecting employees and praising them for their work achieve this. It is also important to have a nice working environment, interesting work, colleagues and benefits.

Job Enrichment is giving employees additional tasks to carry out enabling them to demonstrate more skills and abilities. This can also help make an employer more interested.

However Monetary Rewards are possibly the most motivating. This can be done using Wages- payment for work carried out, Time rate- paying by the hours of work done, Piece rate- paying by each piece of work completed at a given standard and salaries- an annual set amount. On top of this additional payments can be made, for example bonuses or profit sharing.

Cadburys offers lots of courses and staff training to their staff. This is ideal for workers in a factory as tasks are likely to be monotonous. Courses allow employees to learn a new skill and gain a better understanding of the company. It also reduces boredom, and is an encouragement for new staff to join Cadburys over other businesses. Communication can become confused, as there is a huge range of people and a lot of middlemen. Hierarchy can be unclear and therefore motivation may be dropped.

The Clock Shop however does not find motivation a problem as there are very few workers and the jobs require skill and a love for art and manufacture.

The recruitment methods used by the Clock Shop are word of mouth and signs.

Training is carried out onsite by existing staff, but employees already enjoy the art.

Communication and motivation is very controlled within the Clock Shop as there are few workers, and hierarchy is obvious, therefore is very direct and all staff are fully committed.

Evaluations and Conclusions of the Production Processes

Overall Cadburys is already a well-established, international company known for producing a large range of delicious chocolate.

Technology at Cadbury's is modern and designed to the needs of the production process of the different chocolate bars. This makes it a well established business and able to produce thousands of chocolate bars all day every day. This allows the business to turn over a lot of money through the sale of the chocolate. After researching Cadburys, I found out that the technology used is appropriate for the production occurring. As they have high competition, to keep up, they need to always have the most update technology which does come at a price but this is necessary for Cadburys to do.

Quality control at Cadbury's overall it very good as the business rarely has to make recalls on products but as so many chocolates pass through the factory the chance of every one being perfect is unlikely. But to overcome this problem Cadbury's factory produces a 'Miss Shapes' bag which is sold at a lower price and contains chocolates which didn't make the quality standard to be, for example, put into a Milk Tray box, but still perfectly edible. This way the product isn't completely wasted and profit could still be made on them. Back in 2006 Cadburys had a major salmonella scare which resulted in 1 million bars having to be recalled. This made Cadburys lose profits. To make sure it did not happen again, Cadburys should enhance their Quality Control. A way to do this could be to check raw materials coming in as well as the end product.

Overall the production method is very efficient and produces a lot of chocolates in a short space of time.

I have few recommendations to make to Cadbury's it is already a highly established and successful business. One thing that could be improved is their website as at one point it was down and also I didn't find the information published very useful. It was mainly designed to be looked at by children and therefore did not have a very wide audience and information was limited to basic for children to understand.

Cadburys are still releasing new bars regularly and advertising on television, but still the original products are selling very successfully and whole factory's have

been designated to produce that one product, for example the Crème Egg factory in Birmingham which produces Crème Eggs twenty-four/seven. Another way Cadburys could improve publicity would be a radical change, but I am sure they could afford it, would to 'go green'. Many companies have started to be more environmentally friendly and Cadburys could follow this trend.

The Clock Shop, however, is not such a successful business. It has sold very few clocks yearly and Mr Fletcher spends a lot of time, money and effort into the clocks but they are just sitting in his house and not being sold.

The technology he uses is basic but he cannot afford and does not actually need at this stage modern technology as he is making so few clocks and they are all unique.

Fletcher does all the quality checks himself and this is highly monitored throughout the production process so does not need to change.

The production of the clocks is very slow as Fletcher takes his time on each product. Some clocks have taken over a year to produce. But at the end of the day they are not being sold, so effectively all his time, effort and money is being wasted, his passion is the only thing keeping Fletcher driven.

If Fletcher didn't spend so long on one clock and made a few more which were a bit cheaper then he may actually sell some at a profit. The way he is producing clocks at the moment is not at all cost effective and to make a profit he needs to sell them at a very high price, but then no-one buys them. Fletcher had a great idea to set up a gallery in London to display his clocks. This could be a great way for people to see the clocks and being located in London, he is more likely to sell clocks as it is surrounded by upper class people who could afford such clocks. If sales of clocks increased then a turnover of money would start and Fletcher's time and effort would be rewarded.

The Clock Shop does have a website but it is not very informative and holds very little information. This could be improved radically and hold more information about the clocks, and could help to increase clock sales.

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