

Business management

Case study: Todos os Mercados

For use in May 2016

Instructions to candidates

- Case study booklet required for higher level paper 1 and standard level paper 1 business management examinations.

**Todos os Mercados (TM)
and a day in the life of Henri Trouvé,
Tuesday 26 January 2016**

06:32, Henri Trouvé is driving to work. He is already tired. Last night he studied late at an MBA class. He hoped the qualification would lead to a better job or promotion. He is miserable and reflects on why this is.

5 In 1965, his father set up a small hardware business in St Laurent, near Tillon in southern France. The business was set up as a sole trader. His father made personal customer service, especially free delivery to customers' homes and workplaces, the unique selling point (USP) of the business. As a child, Henri helped his parents at the store and worked there when he finished school. At 32, when his parents retired, he became the owner and manager of the business for what he thought would be the rest of his working life. However, two years later
10 that all changed. *Todos os Mercados (TM)*, a South American multinational company (MNC), opened a *TM* hypermarket just outside St Laurent. *TM* is a public limited company. *TM*'s hypermarket had a huge impact on the Trouvé business as it could not compete with it. The Trouvé business went into liquidation when Henri failed to attract any external sources of finance.

15 Desperate and with no income, Henri applied to work at *TM*. He was appointed manager of the hardware section. The job title was more impressive than the job itself – he was little more than a salesperson with minimal management responsibility.

TM's stated main aim, based on its mission statement and expressed in all of its promotional material, is to have the lowest prices in the market. *TM* uses lean production methods including
20 just-in-time (JIT) and outsourcing to cut the cost of sales. *TM* also keeps wages to a minimum and strictly controls all aspects of employee performance. These approaches enable *TM* to sell goods at much lower prices than its competitors. The rest of *TM*'s marketing mix supports its low-price strategy. As *TM* grew, it was able to impose more favourable purchasing terms from suppliers, which allowed *TM* to lower its prices even further. High market share and
25 market leadership are important for *TM*.

Historically, *TM* has used internal growth. *TM*'s attempts at external growth through franchising were unsuccessful. *TM* opened new stores both in France and in many other regions around the world. It expanded the range of goods it sold and eventually entered the services market.
30 Now every *TM* store sells hardware, home appliances, electronics, furniture, automotive parts and office supplies. *TM* has recently started offering banking facilities, insurance, pharmacies, opticians and mobile phone services. *TM* is truly a "one stop" shopping destination and is successful in many regions of the world. It is actively investigating development of new markets in Asia.

TM has a regimented autocratic and centralized approach to human resource management.
35 Employees are not empowered and have to follow detailed work instructions and procedures produced at headquarters in South America. Strict practices prevent employees talking to each other while at work, and unscheduled breaks are not allowed. Employees who complain find themselves in trouble. *TM* has an inflexible organizational structure. In 2013, labour turnover at the hypermarket in St Laurent was much lower than expected. This was due to the economic
40 recession which meant that there were few employment opportunities in the local area.

45 The impact of *TM* on communities, including St Laurent, is mixed. On the one hand, the hypermarkets provide much-needed employment. It also allows customers to buy many kinds of goods at very low prices – analysts estimate that families could typically save between \$2000 and \$5000 a year by shopping at *TM*. On the other hand, when *TM* opens a hypermarket in a town many small shops in that town go out of business, just like Henri's. *TM* has a poor record of corporate social responsibility (CSR), and many pressure groups are urging *TM* to adopt ethical behaviour.

50 06:45, Henri arrives at work. He reports to Delphine Jacques, his line manager and superior in the chain of command, who checks his arrival time. Although Henri resents this process, he knows Delphine is only following company policy. He likes Delphine: she has a warm personality and encourages him in his work. She, too, is grateful for the work because she is a single mother with two children. She is hard-working and efficient and never complains. She is one of the few employees to have been promoted internally.

06:50, Henri is at his work station ready to check arrival times of the employees in his team.

55 07:00, the hypermarket opens. Henri is ready for the tedious day ahead.

11:30, Henri goes to the managers' staffroom for his official lunch break. He is tired. *TM* insists that managers eat separately from non-managerial employees. Even managers are discouraged from eating together – *TM* does not want them expressing collective opinions about *TM*. Henri thinks that *TM*'s workers are beginning to talk more about worker's rights and protests. Henri sits there alone. He thinks about this week's reading material for his MBA – Daniel Pink's "Drive: The surprising truth about what motivates us" – it gets him wondering why *TM* uses motivational strategies that are so completely different from Pink's ideas.

65 12:00 noon, when Henri returns to the stockroom, he sees two young employees writing graffiti protesting the wages and management style. He is angry, but unsure what to do. He is a paternalistic leader so his instinct is to talk to the two young employees and get them to remove the offensive words. However, according to *TM* policy, he must report them to a senior manager, who would immediately dismiss them. Henri thinks, "this is too harsh as they would have no chance of getting another job". He feels the need for worker solidarity. He knows that he, himself, might be disciplined for not reporting this behaviour, but he pretends not to see anything.

14:07, Henri has to deal with an extremely rude customer.

75 15:02, Henri is exhausted – he wishes it were the end of the day. His mind wanders to tonight's MBA class. At least he'd be allowed to think aloud there. He "stole time" from *TM* by checking his homework on his smartphone. He is shocked – the next case study is about *TM*. This is another blow: now he has to think about *TM* all the time.

16:00, Henri records the finishing time of his team and reports his own finishing time to Delphine.

16:10, Henri arrives at the public library. He reads the *TM* case study carefully. The case study mentions various external factors – the lack of jobs in France has increased demand for university places as young people delay starting their careers and middle-aged people, like Henri, try to strengthen their qualifications. Data in the case study shows very weak economic conditions in France and demographic trends that are hindering economic recovery. The case study also states two significant threats to *TM*'s position in the market – the increasing use of e-commerce by global competitors and customized production – and one significant weakness: a workforce that is treated badly.

The case study contains financial information for *TM*, which Henri uses to calculate financial ratios. He is shocked.

18:15, he phones his wife. She, too, is exhausted. As well as managing the household and looking after the children, she has a full-time job as a dental assistant. She feels overwhelmed. Henri reassures her that he will help her and that once he gets his MBA things will be better. Even with an MBA, she worries that he would struggle to get a better job.

18:30, class begins. His tutor, Dr Lominé, will spend the first hour looking at human resource management, then an hour on marketing, then another hour on finance and accounts.

Dr Lominé begins by asking whether *TM*'s employment practices regarding wages and working conditions are ethical. The students recognize the need for *TM*'s profit-driven objectives, but they are far less enthusiastic about how *TM* treats its workers. Henri keeps quiet. "If I criticize *TM* in public, I could be dismissed," he thinks.

Dr Lominé makes it clear that there will be major pieces of assessed work for the MBA that examine human resource management issues, in particular how effective *TM* is at managing its employees. Henri had heard rumours in the workplace that employment practices and contracts were likely to change soon as *TM* attempts to cut even more costs.

21:40, Henri sets off for home. He can hardly keep his eyes open. "At least I don't have class tomorrow so I can spend the evening with my family."

22:20, Henri arrives home. He is furious. Every light in the house is on. His children ignore him as he comes in – they are sending text messages and playing video games.

00:00 midnight, Henri goes to bed. Elise is already asleep. He says "good night", thinking that with luck he will get six hours sleep.

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.