**Thompson Toys**



In December 1986, the Thompson family from Galway city opened its first toy store.

Their parents had run a successful pub and grocery shop that dabbled in toys each year in the run up to Christmas. The four brothers wished to expand the original toy business into something more substantial. An ambitious long-term plan was put into place by senior management with a view to expanding the business nationwide. The family run business stuck closely to the plan and reported revenues of £1m Irish pounds in the first year. As the business grew a clear line of responsibility was put in place and the business was divided into functional departments each having specialised roles.

An Electronic Data Interchange system was developed to make inventory control more efficient, and this helped to reduce the lead time for the firm. It also helped finding an optimum stock level and to eliminate the costs of under and overstocking.

By 2005 the firm had established 42 stores in the Republic of Ireland and the brothers agreed that substantial changes were needed in the business as it prepared to conquer the UK market and to embark on an ambitious growth by acquisition program targeting Central Europe.

The main warehouse would undergo a range of automation and robotics would be introduced to improve efficiencies.

A joint consultative range of meetings were held between management and staff explaining the reasons for the changes in work practices. The economic benefits of change were clearly explained, and staff were promised generous compensation in return for embracing the changes in work practices. A range of educational courses were offered to prepare the staff for the challenges which lay ahead. The firm agreed to provide adequate funding to facilitate the change process. Management lead by example and were the first to sign up to the new changed work practices and worked long hours into the evenings adapting to the new methods.

In 2012 Thompson Toys took complete control of a struggling chain of 40 toy stores called Toyosaurus in Germany and Austria and immediately rebranded them to Thompsons Toys.

It has been a successful foray into Central Europe and has been very profitable.

The company was keen to spread the risk away from the Irish market. They also have benefitted from significant purchasing discounts from their Asian suppliers. They have bought into a ready-made market. On the flip side 50 staff were made redundant in the Vienna head office of Toyosaurus many with several years of continuous employment. The firm has funded the acquisition with €80m debt from AIB and Wells Fargo and the debt equity position is closer to being highly geared than previously.

(A) Evaluate the use of **Management Activities** by the above business. Refer to the passage to support your answer. (30 marks)

(B) Outline the strategies used by Thompson Toys to implement change into the organisation.

Refer to the passage to support your answer. (30 Marks)

(C) Define Takeover. Outline two benefits and two drawbacks of the Takeover for Thompson Toys.

Refer to the passage to support your answer. (20 Marks)