



# BURGER BUY-OUT



## Learning Objectives

- To investigate the advantages and disadvantages of growth to a business
- To investigate the advantages and disadvantages of **takeovers**
- To understand the impact of **economies** and **diseconomies of scale**

## SITUATION

You are a restaurant manager at OK Burgers, a small **privately owned** chain of fast food restaurants operating in London, Chelmsford and Cambridge. At each restaurant you employ 2 shift supervisors, 10 permanent staff and 5 part-time staff, mainly students, to help out in the evenings and at weekends.

OK Burgers has had a successful year, following an advertising campaign on local television and radio. Profits, which were falling, increased by 50% on sales which were up by 35%. To ensure staff benefit from the company's success, the management has given them a **bonus** equal to 10% of their wages. They have also promised staff a substantial pay rise with a further bonus linked to profits when the half-year results are announced.

Management at OK Burgers operates on a **consultative** basis. Now the company has received an offer from Burger King to buy out OK Burgers. You and the other managers have been called to a meeting to discuss the offer. If OK Burger accepts, the company would become part of the giants Diageo food and drink group, formed from the **merger** of Grand Metropolitan and Guinness.

### Task 1

List the advantages and disadvantages of being taken over by Burger King from the point of view of OK Burgers'...

- a. Management
- b. Employees
- c. Customers



### Task 2



Decide whether or not to accept the offer from Burger King.

### Task 3

Write 2 letters: the first to the chief executive of Burger King; the second to all employees of OK Burger, stating and justifying your decision.