

Volume 32, Number 4, April 2026

Practice exam questions

Din Tai Fung

Mark Hage

Check your answer to the question on pp. 6–8 of the magazine. This question relates to the Edexcel specification.

Sample answer

One argument for changing the organisational structure is that the current centralised model, likely run from the headquarters in Taiwan, may become ineffective as the business expands further into the USA. To succeed in the USA, Din Tai Fung could move towards a decentralised structure by creating a specific 'USA division' with decision-making power delegated to regional managers. The article notes the importance of marketing trends, such as the viral campaign for chocolate mochi desserts on TikTok. A decentralised structure would allow US managers to respond quickly to these local consumer tastes and social media trends without waiting for approval from owners in Taiwan. Furthermore, managing 17 locations across the USA, with plans for more, requires significant local oversight of supply chains and the complex 'glass window' kitchen operations. Decentralisation reduces the burden on the central directors and motivates local managers by giving them autonomy, which is vital when operating in a culturally different market like California.

However, changing the structure to be more decentralised carries a massive risk for a brand built entirely on consistency. The article emphasises that Din Tai Fung prioritises control and has avoided franchising for this very reason. The brand's USP is that a dumpling in London or Los Angeles tastes identical to one in Taipei, with exactly 18 folds and 16g of stuffing. If decision-making is passed down to US managers who may not share the founder's obsession with 'quality... over the pursuit of profit', standards could slip. In the casual dining market, inconsistency is fatal. Therefore, sticking to a centralised structure, despite the communication lag, ensures that the rigorous standards that earned them a Michelin star are maintained globally.

On the other hand, changing human resource (HR) objectives might be more critical for US expansion. Currently, the business seems to have strict objectives focused on technical skills and training, evidenced by the mandatory 2-month long dumpling training programme. However, expanding in the USA, where the labour market is tight and wages are high, might require shifting HR objectives towards employee retention and engagement. With up to 60 staff needed per restaurant just to make dumplings, high labour turnover – common in the American hospitality industry – would be financially devastating given the high cost of that 2-month training period. By setting a new objective to become an 'employer of choice' in the USA, perhaps through higher pay or better benefits, the business can protect its investment in human capital.

However, changing HR objectives can lead to a conflict with the company's financial efficiency. The article states the restaurants already generate huge revenue (\$27.4 million) but are highly labour intensive. If the new HR objectives focus too much on 'soft HRM' approaches like high bonuses or work-life balance to suit American workers, it could inflate the already high wage bill. This would raise

unit costs. If the American economy slows down, these high fixed costs could squeeze profit margins. Furthermore, if the company changes objectives to focus on speed of recruitment for new locations, it might compromise on the 2-month training standard, which might reduce the product quality.

In conclusion, the directors should choose to change the human resources objectives. The American labour market is highly competitive, so relying on existing HR objectives that assume high loyalty is risky. Therefore, objectives should be adapted to focus on retention to stop trained chefs leaving for competitors. In terms of objectives and product, the corporate aim is absolute consistency of the dumplings. Changing the organisational structure to a decentralised model threatens this consistency by diluting control, whereas changing HR objectives to support the workforce actually protects the product quality by keeping skilled staff within the business. Finally, looking at the situation, as a private limited company that values control, adapting HR policies aligns with its family ethos, whereas decentralisation contradicts its desire to maintain tight oversight. Therefore, adapting HR objectives is the lower-risk path that directly supports the company's expansion needs.

Sample examiner comment

Mark: 20/20 (level 4 – an excellent response, fully focused on the question)

Knowledge and understanding (AO1): The response demonstrates a clear grasp of organisational structures (centralisation vs. decentralisation) and HR objectives (retention, soft HRM).

Application (AO2): The student integrates the case study effectively. The '18 folds' and Michelin star are used to argue against decentralisation (risk to consistency). The '2-month training' is skilfully linked to the need for retention-focused HR objectives in the American labour market.

Analysis (AO3): The chains of reasoning are logical. For example, the link between high training costs, US labour turnover and the financial risk of losing staff is a strong analytical thread.

Evaluation (AO4): The recommendation is nuanced and uses the MOPS acronym effectively to weigh the options. The student identifies that while structural change is risky for *this specific brand* (due to the need for control), HR change is *essential* due to the specific nature of the American expansion (labour market differences). This prioritisation secures top marks.

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