

Birla Institute of Technology and Science, Pilani (Rajasthan)

First Semester 2015-2016

Comprehensive Examination (Closed Book)

Course No. : MBA C322

Max. Marks: 35

Course Title : Management Framework & Functions

Weightage : 35%

Date : 11/12/2015

Duration : 3 hours

“You must either modify your dreams or magnify your skills.”

– Jim Rohn

1. List down the objectives of Management (at micro and macro level) **(3.0 Marks)**
2. List down the limitations of Operations Research? **(2.0 Marks)**
3. Explain briefly: **(3 x 2.0 = 6.0 Marks)**
 - A. Benchmarking
 - B. Reengineering
 - C. Ishikawa Diagram
4. High-Tech Company (Established and operating in U.S.) manufactures and sells DVD cases made out of a special high-tech material.

Stage 1: When the company was founded, it operated under a functional organizational structure, with the following key positions and reporting relationships:

Position	Reports to
CEO	No one
VP of Sales and Marketing	CEO
VP of Production	CEO
VP of Finance	CEO
Director of Sales	VP Sales/Marketing
Director of Advertising	VP Sales/Marketing
Director of Operations	VP Production
Director of Engineering	VP Production
Treasurer	VP Finance
Controller	VP Finance

In addition, two salespeople reported to the director of sales. The directors of advertising, operations, and engineering each had two assistants, as did the treasurer and the controller.

Stage 2: About three years after the company’s founding, the management team decided to expand sales into Asia. **The** director of sales retained responsibility for the United States, while a new director was added for Asia. The two salespeople who had been with the company since its beginning focused on U.S. sales, and two new salespeople were hired to handle Asia. No other position changed, and for the next two years, all personnel worked out of the U.S. headquarters.

Stage 3: By the **beginning** of the fifth year of operations, Asian and U.S. sales were about the same. At this point, management decided to set up two separate operations—one in the United States and the other in China. A senior VP was hired to head each operation—senior VP of U.S. operations and senior VP of Asian operations. Both would report to the CEO. Each operational unit would run its own production facilities, arrange its own financing, and be in charge of its sales and marketing

activities. As a result, High-Tech Cases almost doubled in size, but management believed that the restructuring was appropriate and would increase profits in the long run.

Create/Draw three organization charts - one for each stage in High-Tech's development.

(6.0 Marks)

5. Ann Reardon made her way across the crowded tradeshow floor, deep in thought and oblivious to the noisy activity all around her. As CEO of the Eldora Company (EDC) for the previous 13 years, she had led her organization through a period of extraordinary success. While larger bicycle makers had moved their manufacturing operations overseas to take advantage of lower labor costs, Eldora had stuck with a domestic manufacturing strategy, keeping its plant on the same campus as its corporate offices in Boulder, Colorado. Ann felt that her strategy of keeping all the parts of the company in the same location, although unconventional, had contributed greatly to cooperation among various departments and, ultimately, to the company's growth: EDC had become the largest and most profitable bicycle company in the United States. Yet her manufacturing vice president, Sean Andrews, was now urging her to build a plant in China.

"Look at the number of companies here," he had said that morning, as they helped several other EDC staffers stack brochures on the exhibit table and position the company's latest models around the perimeter of their area. Manufacturing heads rarely attended trade shows; in fact, this was Sean's first, but he had wanted to attend, and Ann had supported his interest. "There are too many players in this market," he had said. "I've been saying this for two months now, and you know the forecasters' numbers back me up. But if they weren't enough to convince you, just look around. The industry is reaching the saturation point here in the States. We have to break into Asia."

"Leave it alone, Sean," Ann had replied. "I know this is something you're pushing; you've said so in the past. But let's set up a time to talk about it in detail later. This isn't the time or the place."

Now, three hours later, with the show in full swing, Ann understood why Sean had been compelled to speak up again. Having all their competitors in the same room at the same time was a powerful visual reminder of how the industry had changed. She thought about what Sean had said about the U.S. market. In 1992 EDC's sales and earnings had hit record levels. The company now produced almost 30 percent of the bicycles sold in the United States. U.S. mass market bicycle sales were growing by only 2 percent per year, while the Asian market for those same bikes was nearly doubling annually. And Eldora could not competitively serve those markets from its U.S. manufacturing facility. Two of the largest bike manufacturer in the world, located in rapidly growing Asian markets, enjoyed a significant labor and distribution cost advantage.

She stopped at a mountain bike display set up by a fast-growing young bike company. Mountain bikes with front suspension were the latest trend—the added support and cushion allowed riders to better absorb the shocks inherent in off-road riding without slowing down or losing balance. Most of these bikes were still prohibitively expensive. But Eldora, too, had an entry in this product category, retailing for about \$190, and Ann was proud of it. For years, the company had concentrated its efforts on inexpensive bicycles, which retailed through mass merchandisers for between \$100 and \$200. Eldora's prices were slightly higher than other low-end competitors, but large retailers were willing to pay the premium because EDC had consistently been able to offer many state-of-the-art styles and features with quick, timely deliveries that competitors building overseas couldn't match.

One of the reasons the company had been so successful was that Boulder, Colorado, was a bicyclists' mecca. Eldora employees at all levels shared a genuine love of bicycling and eagerly pursued knowledge of the industry's latest trends and styles. Someone was always suggesting a better way to position the hand brakes or a new toe grip that allowed for better traction and easier dismounts. And Eldora never had a shortage of people willing to test out the latest prototypes.

Another reason was that all marketing staff, engineers, designers, and manufacturing personnel worked on one campus, within a 10-minute walk of one another. Ann had bet big on that strategy, and it had paid off. Communication was easy, and changes in styles, production plans, and the like could be made quickly and efficiently. Mountain bikes, for example, had gone from 0 percent to more than 50 percent of the market volume since 1988, and Eldora had met the increased demand with ease. And when orders for cross-bikes—a mountain/road bike hybrid that had enjoyed a spurt of popularity—began to fall off, Eldora had been able to adjust its production run with minimal disruption.

EDC had also benefited from its foray into the high-end market (bicycles retailing for between \$400 and \$700) 12 years earlier. One of Ann's first moves as CEO had been to enter into a joint venture with Rinaldi, a high-end Italian bicycle manufacturer that at the time was specializing in racing models. As part of the agreement, EDC had begun importing Rinaldi bikes under the brand name Summit and selling them through specialty bike dealers. Similarly, Rinaldi had begun marketing EDC bikes in Europe. That arrangement had had lasting rewards: Although racing bikes were no longer very popular, EDC's offerings had taken off. About 20 percent of EDC's sales were now made outside the United States (primarily in Europe and Canada) through this and other agreements.

The relationships with Rinaldi and the specialty bike shops also helped keep EDC management aware of the latest industry trends over the years. Most recently, those trends had included a move toward more exotic frame materials like aluminum and carbon fiber and more advanced components, including the new front-fork suspension systems. Ann examined another rival's brochure touting a soon-to-be-released high-end model with these advances. EDC engineers were clearly ahead of the curve.

Her satisfaction was quickly tempered with thoughts of foreign sales performance. Between 1987 and 1991, EDC's foreign sales had grown at an annual rate of over 80 percent. But during the previous two years they had been flat.

Sean appeared at Ann's side, jolting her out of her thoughts and into the reality of her surroundings. "Dale just finished up the first round of retailers' meetings," he said. "We'd like to get some lunch back over at the hotel and talk about our options." Dale Stewart was Eldora's marketing vice president. His views of what was best for the company often differed from Sean's, but the two had an amiable working relationship and enjoyed frequent spirited verbal sparring matches.

"You won't let this go, will you," Ann said, throwing up her hands in a gesture of surrender. "Fine, let's talk. But you know I won't make a decision until we've had a more formal round of discussions back in Boulder next month."

Over sandwiches, Sean made his case. "Our primary markets in North America and western Europe represent less than a quarter of the worldwide demand. Of the 200 million bicycles made in the

world last year, 40 million were sold in China, 30 million in India, and 9 million in Japan. Historically, bikes sold in Asia's developing markets were low-end products used as primary modes of transportation. But the economic picture is changing fast. There's a growing middle class. Suddenly people have disposable income. Many consumers there are now seeking higher quality and trendier styles. Mountain bikes with suspension are in. And cross-bikes are still holding their own. In fact, the demand in these markets for the product categories we produce has been doubling annually, and the growth rates seem sustainable.

"If we're going to compete in Asia, though, we need a local plant. My staff has evaluated many locations there. We've looked at wage rates, proximity to markets, and materials costs, and we feel that China is our best bet. We'd like to open a plant there as soon as possible, and start building our position."

Dale jumped in. "Two of our largest competitors, one from China, one from Taiwan, have been filling the demand so far," he said. "In 1990, 97 percent of the volume produced by these companies was for export. In 1994, they are projecting that 45 percent of their production will be for local markets. We can't compete with them from here. About 20 percent of our product cost is labor, and the hourly wages of the manufacturing workforce in these countries are between 5 percent and 15 percent of ours. It also costs us an additional 20 percent in transportation and duties to get our bicycles to these markets."

He glanced at Sean quickly and continued. "But here's where I disagree with Sean. I think we need a short-term solution. These companies have a big lead on us, and the more I think about it, the more I believe we need to put a direct sales operation in Asia first."

"Dale, you're crazy," Sean said, pouring himself some ice water from the pitcher on the table. "What good would an Asian sales operation do without a manufacturing plant? I know we source components in Asia now, but we could save another 10 percent of those parts if we were located there. Then we would really be bringing Eldora to Asia. If we want to compete there, we have to play from our greatest strength—quality. If we did it your way, you wouldn't be selling Eldora bikes. You'd just be selling some product with our label on it. You wouldn't get the quality. You wouldn't build the same kind of reputation we have here. It wouldn't really be Eldora. Over the long term, it couldn't work."

"We're building bicycles, not rocket ships," Dale countered. "There are lots of companies in Asia that could provide us with a product very quickly if we gave them our designs and helped them with their production process. We could outsource production in the short term until we made more permanent arrangements." He turned to Ann. "We could even outsource the product permanently, despite what Sean says. What do we know about building and running a plant in China? All I know is we're losing potential share even as we sit here. The trading companies aren't giving our products the attention they deserve, and they also aren't giving us the information we need on the features that consumers in these markets want. A sales operation would help us learn the market even as we're entering it. Setting up a plant first would take too long. We need to be over there now, and opening a sales operation is the quickest way."

Ann cut in. "Dale has a good point, Sean," she said. "We've been successful here in large part because our entire operation is in Boulder, on one site. We've had complete control over our own flexible manufacturing operation, and that's been a key factor in our ability to meet rapid change in the local market. How would we address the challenges inherent in manufacturing in a facility halfway around the world? Would you consider moving there? And for how long? "Also, think

about our other options. If the biggest issue keeping us out of these markets right now is cost, then both of you are ignoring a few obvious alternatives. Right now, only our frame-building operation is automated. We could cut labor costs significantly by automating more processes. And why are you so bent on China? Frankly, when I was there last month touring facilities, a lot of what I saw worried me. You know, that day I was supposed to tour a production facility, there was a power failure. Judging by the reactions of the personnel in the plant the next day, these outages are common. The roads to the facility are in very poor condition. And wastewater and cleaning solvents are regularly dumped untreated into the waterways. We could operate differently if we located there, but what impact would that have on costs?

“Taiwan has a better-developed infrastructure than China. What about making that our Asian base? And I’ve heard that Singapore offers attractive tax arrangements to new manufacturing operations. Then there’s Mexico. It’s closer to home, and aside from distribution costs, the wage rates are similar to Asia’s and many of the other risks would be minimized. You both feel strongly about this, I know, but this isn’t a decision we can make based on enthusiasm.” Ann crumpled up her sandwich wrapper and drank the last of her soda. “Let’s get back over to the exhibits. I’m attending the IT seminar at 1:30. We’ll schedule a formal meeting on this subject soon. I was going to say next month, but how about bumping it up two weeks?”

Walking back to the convention center with Dale and Sean, Ann realized that she wasn’t just frustrated because she didn’t know which course EDC should pursue. She was concerned that she really didn’t know which aspects of the decision were important and which were irrelevant.

Growth had always been vitally important to Eldora, both in creating value to shareholders and in providing a work environment that could attract and retain the most talented people. Now it appeared that Ann would have to choose between continued growth and a domestic-only manufacturing strategy that had served her well. Ann knew the plant location decision she had made years earlier had been critical to the company’s success, and she felt the company’s next move would be just as crucial.

- A. Identify the Strength(s), Weakness(es), Opportunity(ies) and Threat(s) in the above case? **(4.0 Marks)**
- B. Define the competitive environment of EDC? **(2.0 Marks)**
- C. Should EDC establish a division in China, Why or why not? If so, which functions should she start with? Manufacturing? Marketing? And what about engineering? Or should she consider a different location? **(4.0 Marks)**

6. A private university was contemplating on measures to promote academic integrity across its multiple campuses. As of now the university doesn’t have well defined guidelines or policies related to handling plagiarism issues. The university was extremely concerned about increasing trend of plagiarisms across its campuses and hence started focusing curbing such practices and was actively seeking ways and means to promote academic integrity. The university was interested in providing tool(s) for its faculty members that will help them to check any work that they already suspect to be plagiarized. To facilitate this, the university bought a large number of “Turnitin” licenses.

Turnitin is an internet-based service with the world’s largest content comparison database. The user uploads essay, written report/assignment in the Turnitin website and it checks these essay, written report/assignment for *unoriginal content* and provides feedback to the user on the use of source material used in the report. Turnitin is a tool that checks the essay, written report/assignment against various electronic resources (electronic books, electronic journals,

databases, websites, student papers/assignments that have already been submitted through Turnitin at Salford University and other higher education institutions) for matching text. It will then highlight the areas of the submitted essay, written report/assignment where a match has been found. However, there will be many sources that are not checked against, such as new web content (e.g. today's news articles) and password protected sites (e.g. intranets). Once the check is completed Turnitin produces an Overall Similarity Index (OSI) represented by % and a color code. OSI % refers to the percentage of text in the essay, written report/assignment that has been matched to other electronic sources (as mentioned above). OSI color code indicates how much matching text was found. These color codes can be interpreted using the table below.

OSI Color Code	Interpretation of Color Code
Blue	No matching words
Green	1 word to 24% matching text
Yellow	25% to 49% matching text
Orange	50% to 74% matching text
Red	75% to 100% matching text

Instructor 'RR' of this university gave a take home assignment to the students registered in the course MFF (a compulsory course for 1st year MBA students). To carry out this assignment fourteen groups of five members each was formed. The groups were required to analyze a case study and submit a written report (providing answers to three questions asked in the case) to the instructor. Post submission while evaluating these reports RR observed that there was a possibility of plagiarisms in the report submitted by several groups. Subsequently RR uploaded all 14 reports on 'Turnitin' and obtained the following OSI % and color codes.

Group No.	Overall Similarity Index (OSI)	
	%	Color Code
1	43	Yellow
2	52	Orange
3	44	Yellow
4	36	Yellow
5	27	Yellow
6	47	Yellow
7	34	Yellow

Group No.	Overall Similarity Index (OSI)	
	%	Color Code
8	26	Yellow
9	49	Yellow
10	59	Orange
11	61	Orange
12	64	Orange
13	78	Red
14	72	Orange

- Briefly explain the possible actions 'RR' might take if he follows "Utility Approach" to evaluate the assignment. **(2.0 Marks)**
- Briefly explain the possible actions 'RR' might take if he follows "Individual Rights Approach" to evaluate the assignment. **(2.0 Marks)**
- Briefly explain the possible actions 'RR' might take if he follows "Justice Approach" to evaluate the assignment. **(2.0 Marks)**
- If you were 'RR' which of the approaches to ethical behavior you would prefer and why? **(2.0 Marks)**

END