

Programme	: B.Tech	Semester	: Winter 2023-24
Course Title/ Course Code	: Principles of Management & Organisational Behaviour/ MGT1002	Slot	: D23+D24
Time	: 1 ½ hours	Max. Marks	: 50

Answer all the Questions

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Question Description

Marks

The future of M/s Excel Industries

You have a classmate and friend Mr. Soniya. Suddenly he telephoned you and sought your help as a management student to know the options available to him. He discussed the issues threadbare with you and this is the picture he has presented before you.

His father has asked for advice on how to run his business, M/s Excel Industries. Till now Soniya had no idea of what was happening in his father's welding shop where he was fabricating utility items like boxes, almirah, chairs, cots, etc. The Welding shop of his father was very well known in the local market and he had a fair reputation for giving good quality products at very reasonable rates. His workshop was in the center of the market and was spacious enough.

He is worried that his supervisor cum main welder is sick and it will take some time for him to come back to work. He has not been able to find a substitute from the local area. The rest of the 6 workers are quite new and they cannot do a high-quality job. He is not happy with the work of one helper, feels he is irresponsible and wastes a lot of welding rods and the quality of his work is very poor. Moreover, a new shop has come up with more modern machinery and the competition is becoming more and more intense every day. Though he has some stock of items for the festival season but he expects a lot of orders for new designs to be executed. Unless he is able to get proper workmen he will lose much business.

There is a notice from the Municipal Corporation for payment of taxes for the previous many years which is a huge amount (Approx. Rs.2 lakh). The bank has already issued notice for payment of overdue loan and interest amount, totalling Rs.2.5 lakh. The workers are already asking for an increase in wages and he had assured them to increase their salary by 10% from the coming financial year. His wage bill has been to the tune of Rs. 50,000/- per month. The monthly running expense amounts to Rs. 75,000 towards rent, electricity, materials etc. During the month he was in general doing around Rs 2 lakh business, partly in cash and remaining on credit (65:35% respectively). He has an overdue amount of Rs. 1.25 lakh to be collected from the purchasers. During the festival time, he used to give all his workers suitable gifts. One of his workers is getting married so he has to give a good gift.

His father feels that in addition to the steel items there is enough market for wooden

furniture, there is no shop selling those items in 5 KMs radius, the availability of wood and carpenters is not an issue according to him. The biggest attraction is the margin the furniture items are offering. Given his good will and market image, his father feels that in no time Excel could double the sales and gain 250% profits from the current level. Soniya has reservations on this proposal since they had a bad experience of trying to sell kitchen equipment and utensils. They had invested Rs. 15 lakh two years back and could hardly recover Rs. 10 lakh in the past two years.

Till a year back he was doing comfortable business, being the only one in the fabrication business. The new shop, he knew for sure that it will not be able to match his prices. Because much more money than is needed is invested and its wage rates are very high. His simple calculation led him to believe that the same item could be made by the competitor at least 15% costlier. So he could increase the prices more, also he thought why not charge more to those who buy his items on credit.

Long back, he himself had learned welding working in a big industry in the nearby industrial area and one day he decided to open his shop in the local market. Through his hard work and determination, he had been doing good business all along. Of late he has stopped working with his hands and all the technical work he had left to his supervisor cum main welder. Now his skills are unavailable to him and he is not able to get a proper substitute from the local area.

The election to the Shopkeepers Association is also coming up, he is the existing Vice President, the President's post is vacant for some time, there is a general acceptability for him. He would like to be elected as the President. There is a 'workers' union of all the workmen working in different shops in the market. They have given notice to all the shopkeepers demanding standard working hours, payment of overtime wages (double the rate of wages) for work beyond 8 hours every day and for providing two sets of uniforms. The other shopkeepers have asked for his advice on dealing with the matter. He knows that the union will be satisfied if a decent hike (approx. 10%) is given by all the shopkeepers, so he has to convince the shopkeepers to raise the wages of the workers.

He has savings of approx. Rs. 3 lakh and feels he will be easily able to manage another Rs. 3 lakh. Though meeting the business and family expenses is a worry to him, his major worry is how to run the industry properly and do good business. He is not much educated and he expects his only child, Soniya to help him in managing the situation.

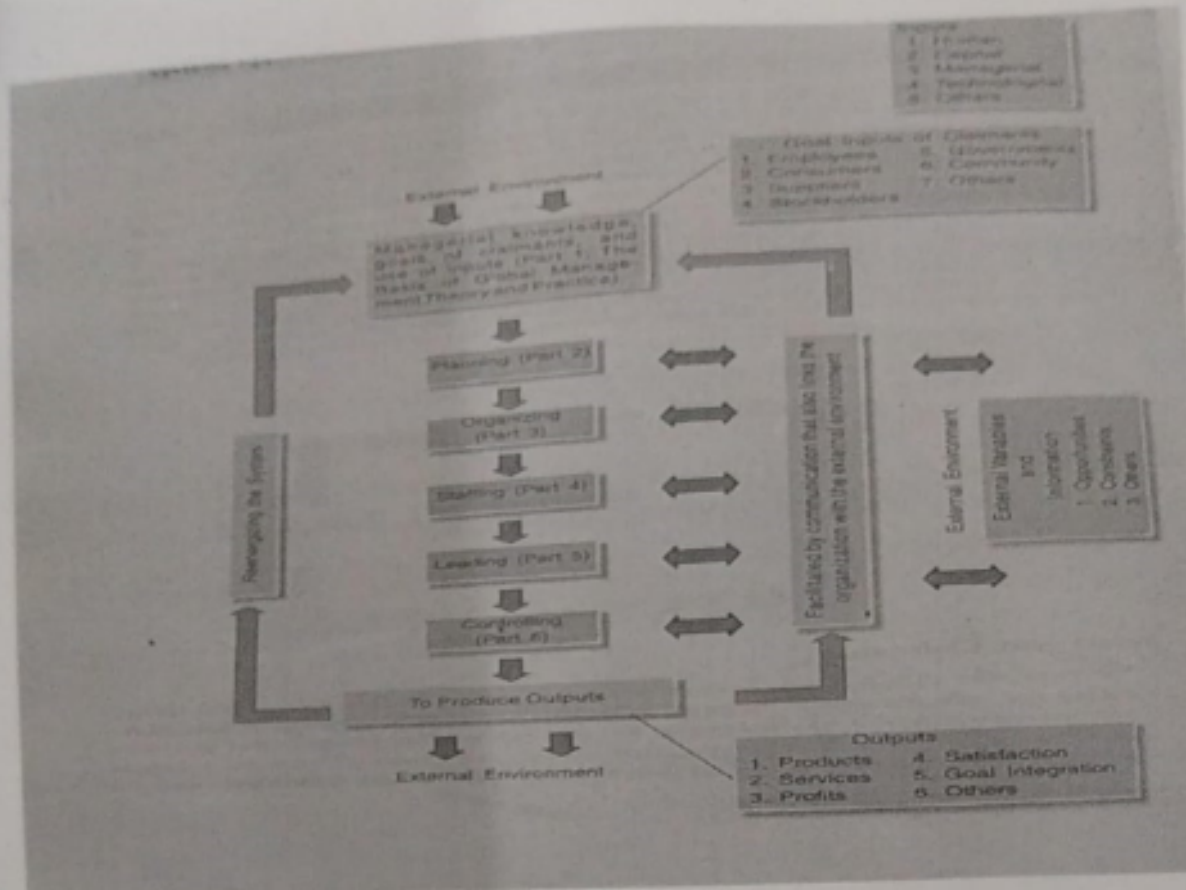
Soniya is a student, just an average one, studying Mechanical Engineering in a private college nearby. His father had deliberately got him admitted in Mechanical Engineering so that he can help him technically in the future. He has no interest in it and given an option he would have liked to play cricket, move around with his friends and enjoy life. He has also no understanding of running any business.

After narrating the above situation Soniya has left you to think over it and said "I will come back in two hours, you tell me what I should tell my father".

Now he is back and is seeking your advice. Give your suggestions in terms of the following questions

QUESTIONS

Use the Systems management model given below and analyse the issues faced by Mr. Sonia.



Make use of SWOT analysis and list out the strengths, weaknesses, opportunities and threats being faced by M/s Excel Industries.

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Use the TOWS (SWOT) Matrix model given below for strategy formulation and analyse the case study for growth of Excel Industries, Give your suggestions::

TOWS Matrix for Strategy Formulation

<div>Internal factors</div> <div>External factors</div>	Internal strengths (S) e.g., strengths in management, operations, finance, marketing, R&D, engineering	Internal weaknesses (W) e.g., weaknesses in areas shown in the box of "strengths"
External opportunities (O): (Consider risks also) e.g., current and future economic conditions, political and social changes, new products, services, and technology	SO strategy: Maxi-Maxi Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	WO strategy: Mini-Maxi e.g., developmental strategy to overcome weaknesses in order to take advantage of opportunities
External threats (T): e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above	ST strategy: Maxi-Mini e.g., use of strengths to cope with threats or to avoid threats	WT strategy: Mini-Mini e.g., retrenchment, liquidation, or joint venture to minimize both weaknesses and threats

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The restructuring of Sunrise Engineering.

Sunrise Engineering is a major manufacturer of electrical fans. It was doing very well in the market and was known for good quality products at a reasonable price. Moreover, the competition was limited and they had more orders than they could supply. So, they thought of expanding the business and went for creating an additional 50% capacity. The company increased the strength of operators from 100 to 150 and increased the number of managers and created an additional layer of deputy managers. That was the situation three years ago.

Now there is a huge change with the government permitting more units to enter the market and start production. Already two new units have come up and it is likely that more units would come into the market soon. So, on the one hand, the competition has increased, on the other hand, there have been issues with the quality, timely delivery and pricing of their motors. For the first time, Sunrise Engineering ended in a loss in the last year by about Rs. 5 crore on a turnover of Rs. 89 Crore and things are not looking any better this year. This became a wake-up call and the management decided to take corrective action.

They appointed you to be the new Chief Operating Officer (COO) and was clearly told that the objective is that in the current year there should be no loss and we must regain the name and fame of the company in the market. You are told that you have the authority to take all required decisions for the purpose. In your first week at Sunrise Engineering, you are convinced that there is hardly anything worth available in the organisation and you will have to go for a major overhaul in the organisation.

You met all the department heads and told them to identify major problems and issues affecting them. You found that all of them were blaming others and were unable to look within their department and focus on the core issues or suggest the measures required. You started with the Production Head who complained about others as follows:

- The biggest problem in reaching the production target and timely production is because Quality department puts red flags even for minor shortcomings and is not helping.
- The Purchase Department never gets the materials required for production in time.
- The Sales Department books order without looking at the feasibility of delivery and it is not possible to deliver on time.
- The Maintenance Department is unable to repair and maintain the machines in running condition and a lot of time is wasted.

Your talk with the Sales Department indicated that their fans are costly in the market so they are getting lesser orders. The quality of the product is not good and it is invariably delayed, the Production Department is to be blamed for all of them.

The Purchase Head reported that he has several problems as he is pressed for quick delivery for input material but the suppliers are not paid promptly. So, they are jacking up the price. Already the reputation of the firm is low so nobody is pricing them economically.

The Maintenance Department pointed out that the manufacturing process is old and machines have lived its life, hence requiring more time and effort to keep them in running condition. Now semi-automatic machines and robots are used by others, he had recommended replacing all the machines but he doesn't know why it is not being taken seriously.

After hearing from all the Departmental Heads, you studied deep into the issues faced and took up the organization structure. You found that the Corporation is having a narrow structure and power is centralized in the hands of Production Head and Heads of Sales, Maintenance, Quality, Purchase are reporting to him who in turn reports to the General Manager. All major decisions are required to be taken in the Department Heads' meeting but it was not held in the last six months. In the last meeting held there was heated discussion and a quarrel between all of them as to who is responsible for the mess and no decision could be reached. All the departments were acting like

independent entities and did not care for others. The earlier COO preferred to keep low and never confronted any of them. You tried to find out the role played by the newly inducted Deputy Managers, it was found that all of them were frustrated and they clearly had no authority yet they get all the blame when anything goes wrong. You decided to first tackle the organization structure give clear-cut roles and give responsibility to all the Department Heads as well as the Deputy Managers assigned to help them.

QUESTIONS:

- 4 Do you think the narrow structure followed by the organisation with all the powers given to the Head of the Production Department as the real issue, will it work in the face of increased competition? Elaborate on the weakness of this system.
- 5 Setting specific, measurable, achievable, relevant and time bound (SMART) objectives is a good way to meet the long term goals you want to set for your organisation. Help a start up in the software industry to set its long term goals. Assume all required factors