

**POST GRADUATE DIPLOMA IN GLOBAL  
BUSINESS LEADERSHIP****Term-End Examination****December, 2012****MGB-013 : INTEGRATED BUSINESS CASE  
ANALYSIS AND PRESENTATION***Time : 3 Hours**Maximum Marks : 100*

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1. Dixon Ticonderoga is the second largest pencil manufacturer in the United States. For most of its history, Dixon has been prosperous company. But the 1990's proved to be a very difficult decade. This has happened despite 53 percent jump in the demand for pencils between 1991 and 1999. The problem began in the early 1990s when Chinese entered the market with low priced pencils. The pencil industry lobbied with the US government for anti-dumping measures against Chinese imports. This was done and the Chinese imports dramatically fell. But this did not deter Chinese from making better and cheaper pencils and regaining their earlier market position. Despite high US anti-dumping duties, imports jumped from 16 to 50 percent.

Dixon itself experimented with cheaper ways to make pencils to meet the foreign competition. It used recycled paper cases in the manufacture of pencil but quickly backed away after the product jammed pencil sharpeners. The company tried wood but it was too expensive except for the premium segment. Then the company adopted cheap Indonesian wood. As an additional cost reduction measure Dixon began buying erasers from Korean suppliers. Despite all these steps, the company continued to lose its position and also began to lose money.

Then the company switched many of its processes from the USA to Mexico cutting some jobs at home. In 2000, Dixon set up a wholly owned subsidiary in China to manufacture wooden slats for pencil manufacturing. The slats are then sent to Mexico where these are turned into pencils. The Chinese subsidiary is also responsible for the production and distribution of certain products that are sold internationally. These measures helped Dixon improve its performance but it still needed to cut its cost structure. Accordingly, it decided to shut down its US manufacturing operation at Ohio in 2003 and move production to either China or Mexico.

**Questions :**

6, 6, 6, 7

- (a) Why do Chinese have a cost advantage in the production of pencils ?
  - (b) Do you support lobbying by Dixon with the US government for imposition of anti-dumping duties against Chinese imports ?
  - (c) What are the benefits to Dixon of getting into international business ?
  - (d) Why does not Dixon import finished pencils from China to the United States instead of manufacturing them in Mexico ?
2. On its entry in India in the late 1990s, Mc Donald Corporation has been faced with a dilemma. Since its founding in 1955, countless animals have died to produce Big Macs. How can a company whose fortunes are built on beef enter a country where consumption of beef is a grave sin? Use pork instead ? But there are some 140 million Muslims in India and they abhor pork. This left chicken and mutton. Mac Donald responded to the cultural food dilemma by creating an Indian version of Big MAC-the Maharaja MAC which is made from mutton. Other additions to menu conform to local sensibilities such as "McAloo Tikki Burger". All foods are strictly segregated into vegetarian and non-vegetarian lines to meet Hindu sensibilities.

For a while, this seemed to work. Then in 2001, three Indian businessmen living in Seattle filed a class action suit in the USA for fraudulently concealing the existence of beef in Mac Donalds French fries. Mc Donald settled the suit for 10 million Dollars with the apology" to Hindus, vegetarians and others for failing to provide the kind of information they needed to make informed dietary decisions." The news travelled to India where Hindu nationalist demanded closure of McDonald outlets. But the negative publicity had little impact on Mc Donald's long range plans because of Indian youngsters liking for the American food.

**Questions :**

**9, 8, 8**

- (a) What lessons does McDonald experience in India hold for other foreign fast food chains?
  - (b) Could McDonald have been prepared for the negative publicity associated with use of beef extract in its frying oil ?
  - (c) How far a firm like McDonald should localise its product to account for cultural differences ?
3. Kamal is a quality engineer in an automobile company. He has been assigned the task of testing a new airbag design. The company wants to instal new airbag in its forth coming new model. This has become necessary because two of the

company's competitors have already installed airbags in their cars. On testing the airbags, Kamal did not find the new designs completely successful. All the airbags tested inflated on impact but 10 airbags out of every 100 tested inflated only 60 percent. The partially inflated bags would still protect passengers but the extent of injuries would be higher than with fully inflated bags. Before formally reporting the test results, Kamal told his supervisor about the need to conduct some more tests to ensure that the airbags are reliable and safe. The supervisor, however, informed Kamal that the company is eager to get the airbags in the proposed model. Therefore, the test results must be submitted at the earliest. Kamal is now feeling pressurised to certify the airbags as safe despite some of them having inflated only impartially.

**Questions :**

**5 marks each**

- (a) Identify the main issue in the given case.
- (b) What could be the ideal solution to this case?
- (c) Brainstorm the possible certification statements that Kamal could make.
- (d) Which of the proposed statements will be the best ? What criterion should be used to evaluate the statement ?
- (e) Considering various alternatives, help Kamal draft the certification statement for submission to the management.

4. At the foot of Mt. Fuji in Japan, there is a training institute for Japanese executives conducting a 13 day training programme. The mission of the institute is to teach management, assertiveness and discipline so as to improve management skills and the ability to perform well under considerable stress. The training camp is designed to toughen Japanese managers for international competition which requires "100 litres of sweat, 100 litres of tears". Most trainees are on way to becoming leaders at such companies as Honda, Toyota and Hitachi. The training at the Hell Camp begins with an initiation ceremony requiring a pledge that amounts to admitting serious weaknesses and making a serious commitment to correct them. Each trainee is given "16 ribbons of shame" that are pinned to his white uniform. Each ribbon represents a shortcoming such as in writing, speaking, working with others, etc. A ribbon is removed after passing a rigorous test in the subject each ribbon represents. All ribbons must be removed before a trainee could graduate. The next 12 days are spent working to remove the ribbons of shame. Each day begins at 5 a.m. when trainees rise for a cold shower which must be completed within a specified time measured with a stop watch. Breakfast is followed by stress test exercises led by shouting instructors. The next round consists of memorising and shouting long

non-sensical passages delivered in the form of a speech before the training group. Then occur long walks across the ground in a single file.

Much time is spent in making work groups which are taught certain principles such as no shilly shallying, to be punctual, etc. Trainees are encouraged to shout since "Shouting makes every person know his own force or weaknesses". To learn humility and discipline, the trainees spend time in lawn mowing.

On the 8th day, the trainees, dressed in pinstripes visit the nearest railway station, standing in the middle of the station, trainees had to sing loudly and forcefully (The things I make with the sweat of my brow, I must sell with the sweat of my brow). The singing is done in the presence of onlookers and the instructors who grade the performance. It teaches humility and self confidence.

The ultimate test is 25 kilometer hiking over mountain tracks to be completed in 8 hours with the help of an inaccurate map. At day break, many are still finding their way. All are exhausted and some are in tears.

On the 13th day is the graduation ceremony at which less than 30 percent are honoured. The rest must attend the ceremony in uniform and ribbons. They must remove the ribbons in the next 2 days. Hell Camp is quite popular in Japan. The trainee

managers return more confident assertive, interactive and communicative. However 12% of those successful need hospitalisation.

The institute decided to open a branch in California (USA) for which ads were placed in Wall Street Journal. Due to poor response, the launch dates had to be repeatedly postponed. Finally, a total of 10 applicants responded. But this training rigour has been moderated. Some of the demanding tasks were dropped. The ribbons of shame were renamed as ribbons of challenge and their number was reduced to 12. At the end of the camp, the US trainees remarked, "When you remove a ribbon, you feel like you have just climbed Mt.Fuji".

**Questions :**

**8, 8, 9**

- (a) In your opinion has the Hell Camp succeeded in the USA ? Why ? Why not.
  - (b) What skills are being imparted at the camp?
  - (c) What changes should be made in the curriculum to make the training more useful to Indian managers ?
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