

**POST GRADUATE DIPLOMA IN GLOBAL
BUSINESS LEADERSHIP**

Term-End Examination

December, 2011

**MGB-013 : INTEGRATED BUSINESS CASE
ANALYSIS AND PRESENTATION**

Time : 3 hours

Maximum Marks : 100

Note : Attempt any four questions.

1. LEADERSHIP AT WALMART

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Because of the phenomenal success of Walmart, its founder Sam Walton became one of the richest man in America. Under his leadership, the company has enjoyed continuous growth and expansion adding 100 stores per year ever since the 1980s. Till his death in 1992, Sam took personal interest in employee . His managerial philosophy was to get the right people in the right places and then give them the freedom to innovate to accomplish their tasks. Walton treated his employees as associates . As per company policy, all associates are eligible for profit sharing to

motivate them further. Managers are encouraged to meet employees in a social setting to discuss organizational issues and to make employees feel that their input is taken seriously.

Walton led an austere life and did not exhibit any aura giving the employees a feeling that he was one of them . He travelled extensively and met the sales staff to find out the terms that were popular with the customers. He knew most of the employees by their first name. He initiated "employee of the month" to create internal competition so that employees may make extra efforts to improve sales and service. This policy got him high respect as a leader.

Walmart is very cost conscious spending only 2 percent of sales revenues for general administration expenses. It shops for supplies at bargain prices all over the world and has built giant warehouses which are within eight hours of driving distance from stores. This helps in better delivery system and reduced inventories. Each store prepares monthly financial report which can be studied line by line to look for ways to reduce cost further. The cost savings are passed on to customers to win over their rivalry. Walmart's slogan of "Quality you need, prices you want" has become a generic organisational statement.

Presently, Walmart is faced with competition from similar chain of stores like

K-Mart . However, Walton was never worried about competition on because he believed that company's people oriented philosophy of operations and cost savings without diluting quality of merchandise would always meet the competition head on.

Now, answer the following :

- (a) What are the reasons for Walmart's phenomenal success ?
- (b) How would you describe Sam Walton as an effective leader ? What leadership theory is consistent with his leadership style ?
- (c) How important is it for a business leader to mix with the employees and how does it affect the motivation of the employees ?

2. IBM and LENOVO : GLOBALISATION OF BUSINESS 25

IBM stunned the business world in 2004 by announcing the sale of its PC business to Lenovo, a Chinese company, little known outside China. The takeover attracted even the attention of us Congress. To both the companies, the takeover represented dramatic change of strategy. IBM's

reputation was built on its hardware and it was now selling its entire PC business. Lenovo was an entrepreneurial Chinese PC producer with 30 percent share of the Chinese market and with little presence anywhere else. It paid 1.75 billion dollars to acquire IBM's PC business making it the largest ever Chinese acquirer. Overnight, Lenovo became a global company.

IBM viewed its core business as hardware but due to changes over a period of time, it went into software and services. During the 1990s, the company built up the PC business with little of its own technology, it used processor from Intel software from Microsoft and outsourced manufacturing. Dell and Hewlett Packard steamed ahead. The logical move for IBM was to concentrate on high value activities and sell of its PC business. In services, IBM aims to capture swathe of outsourcing, offer all types of BPOs including logistic support, call centres, etc. Due to crowding in this market segment, the need has been felt to change its culture from software orientation to one of service provision.

Even after takeover, IBM holds 19 percent equity in Lenovo. On Lenovo's part, IBM brand has been a step towards building its own brand. Due to customers, acceptance of Lenovo, it has

dropped the IBM brand name 2 years ahead of schedule, founded only in 1984, Lenovo's success has been due to its entrepreneurial founder Yang Yuang who after its deal with IBM, was made to step down as CEO of the company. Lenovo has the ambition to challenge Dell and HP in price and product design. It is now in a position to use economies of scale to further lower procurement cost. Two years after the takeover it has introduced its own branded products outside China and increase its revenues fourfold. However, huge organisational and logistical changes have taken their toll bringing down net profits. Such problems are natural to a company which has required a company thrice its size. There are cultural differences between the acquired business and the entrepreneurial organisation, the average age of whose management team before acquisition was only 28 years for Lenovo complexities of supply chain and product technologies have been difficult to manage, for after Chinese companies eyeing at international expansion, the success of Lenovo would be an example worth following.

Now answer the following :

- (a) Critically assess the change in strategy that have taken place at IBM both before and after the sale of its PC business.

- (b) What aspects of globalization are highlighted in this case study ?
- (c) Analyse the acquisition of IBMs PC business by Lenova in terms of ownership specific and location specific advantages.
- (d) Assess Lenovo's prospects in competition with established rivals.

3. The Chairman of a PSU while inaugurating a seminar on HRD for senior HR executives remarked thus : 25

You are aware that among other things it is outdated, highly bureaucratic and insensitive HRM System which is primarily responsible for present state of affairs in the SPUS. Much of your time seems to be devoted to carrying out routine activities rather than being proactive to emerging challenges. There is not only the need to dramatically overhaul the HR system but also to make HRD innovations in the true sense. Here you will be discussing the recent developments in HRD concepts and methods. The success of this seminar will not be judged by your enthusiastic participation but your follow up initiatives most of the initiatives are unlikely to be accepted overnight....."

In the light of the above, answer the following :

- (a) Discuss the five most critical HR systems and the development challenges respectively facing the PSUs. Justify your choices.
- (b) What could be the meaning of "HRD innovations in the true sense"? What are the possible constraints to HRD innovations in an organization ?

4. CASE STUDY ON APPRAISAL IN MAXVISION : 25

David has just received some disturbing feedback. He is the HR director of MaxVision a medium sized windows and glass door manufacturer. He has recently initiated 360 degree performance appraisal system for all middle level and senior level managers but excluding the top management. He had recently overhauled the organisation's performance appraisal system. The managers who reported to David were subjected to 360° appraisal but the subordinates of these managers were evaluated using 20 questions on a Behaviourially Anchored Rating System (BARS). Conducted annually, the appraisals were an important input for taking pay raise and bonus decisions.

David considered the new performance appraisal procedures as highly effective and expected the subordinates to mention this fact in their feedback. To David's amazement, in their feedback, the managers and their subordinates reported the BARS scales to be unfair, inappropriate and a waste of time. The managers blamed 360° appraisal for its adverse impact on them because their own subordinates hated the new appraisal system and blamed the managers. David could not believe those comments. After all, he had spent a whole of time developing what he thought to be an ideal rating scale. For some strange reasons, the managers and subordinates were becoming close minded. David's superior were asking him to for the mess which he had created. As an HR expert, advise David as to what he should do.

5. Donnelly Mirrors : Group Dynamics at play 25

Donnelly Mirrors employing over 750 workers manufactures potentially all the rear view mirrors for automobile products in the USA. The company has adopted a participative style of management where workers are actively and genuinely involved with the governance of the

company . The participative management was begun in 1952 imploring the employees to participate in cost saving efforts and to share the savings made. The cost savings arose from efficient use of labour, materials and machines. The employees were assured that they want lose jobs because of introduction of advanced technology or any change in production methods. It led to reduced resistance to change by the employees. Rather the employees began to volunteer in developing ways to improve operational efficiency, problem solving groups were formed for various operational areas. To achieve coordination among various groups, a linking per organisation structure was adopted where group presentation could be made to the next higher level of management for its consideration.

There are no time clocks and work times are not closely monitored. On account of group coherenceness, the workers do not exploit the relaxed rules. The work of a worker who is late or absent is overtaken by the other. For frequent absence, the worker is liable to the group. The group selects its own leader and the group members set their own production goals within the general framework of the objectives of the organization.

Committees of employee representatives and management have been formed to handle matters like pay policies, fringe benefits and employee grievances. Due to the presence of employee representatives, the decisions of the committee are early accepted. As per pay policies, company is guaranteed a return of 5.2% on its investments and the balance of profits is shared with the employees. Due to its reputation of employee treatment, the company attracts a large number of applicants, but on account of low turnover, the company takes only the best. The company is like a closely knit family known for its productivity, quality and employee dedication.

Answer the following :

- (a) Does the success of the company reflect that profit sharing and employee involvement in the company affairs are highly motivating factors? Give reasons.
- (b) How do you justify that group dynamics work in the company?
- (c) How are group goals integrated with organizational goals?
- (d) How does this concept indicate the need for the Indian companies to weave workers participation in the culture of the organization?

- (e) Do you think that in the wake of group cohesiveness, no individual will violate group rules and norms ?
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