

TEST FOUR

SECTION THREE

TUTOR: Right, Jason and Karin, now I asked you to look at the case study for Box Telecom as part of your exam assessment. It's interesting because they are in the middle of problems at the moment and I want you to track how they deal with them. Let's start with you, Karin. Having read through the case study, can you just summarise what the problems were that Box Telecom had to take on board?

KARIN: Um, yeah . . . Well of course what first came to their attention was that, despite a new advertising campaign, they were suffering from falling sales – and this is something that had many causes. On top of that immediate problem, what had also happened over the last two years was that, although they had invested in an expansion plan, they had to face up to increased competition. And, before they had a chance to get to grips with the effects of that, they were stalled by a strike and it was just when they were thinking about making a colossal investment in new machinery for their plants. So they were really in trouble.

Q21

Q22

TUTOR: Yes, I think that's fair. And Jason, you contacted the company, didn't you? What did the company define as the reasons for these problems?

JASON: Well, I think they've hit on the right things – it would be easy to say they had invested too heavily, or at the wrong time, but in fact the signs were good and what they were set back by was high interest rates. At the same time, their longer-term problems, which were affecting their market share, were eventually credited to poor training – and having looked at the details in their last report I think that's right.

Q23

Q24

TUTOR: So, onto the larger issues then. Karin, what do you think the company will do?

KARIN: Hmm . . . Well, obviously they have the choice of accepting the very favourable terms that another company – KMG Plc – have given them to buy them out. That would mean creating a new company with a new image. Or they could decide on a bolder move and offer some new shares if they wanted. But I think they're much more cautious than that and expect they will start trying to find individuals who'd be prepared to back them with some of the capital they need.

Q25

TUTOR: Well, you mustn't always assume that dramatic problems require dramatic solutions. Sometimes there's a simple fix such as changing the guy at the top. If they truly are cautious, then I suspect they will seek to shut down some of their shops. But a more ambitious approach, and one which I think would have more chance of success, would be to alter how they're running things – the management layers and the processes. So in your analysis try to think of all the options. Jason?

Q26

JASON: Yes, it's interesting because I've found it a really useful company to study. Its problems cross all types of industries and it's lucky it's so big – a smaller or even medium-sized company would have gone under by now.

- TUTOR: Ah well in fact, what I want you two to do is to go away when we've finished our discussion today and write a report. We've looked in general at the telecommunications market in the UK over the last few sessions and I want you to take Box Telecom as an example and suggest some ways in which they might overcome their problems. And outline the reasons why you think as you do – but try and keep it intrinsic to the company rather than dragging in other examples. Is that OK, Karin? Q27
- KARIN: Yes, I think I can do that. Personally I've got great hopes for it. I think it will recover. That advertising campaign they did was very strong and they're very innovative with their products – they set new trends. The company's got to recover, don't you think, Jason? Q28
- JASON: Hmmmm I'm not sure. I think it can but it's not a foregone conclusion unless they manage to attract the right level of investment. The company definitely needs a boost and to attract more highly skilled workers if their recovery is to be long-lasting. When I was talking to the marketing manager he said to me that he thinks the company had got a great management team – but he would say that, wouldn't he? – but they are suffering from having to work with outdated production machinery and that could cost a lot to put right. Q29
- TUTOR: Well, personally I think the stock market is to blame. I think they were expecting too much of the company and then inevitably it looked bad when it didn't perform. The market should have had more realistic expectations.
- And I disagree with you about the advertising campaign Karin. That's where they could do with some innovation – to get sales kick-started. Anyway, let's see what you come up with . . . *[fade]* Q30