

CAMBRIDGE INTERNATIONAL EXAMINATIONS  
Cambridge Career Award in Management  
Executive Diploma

**CASE STUDY**

**4191/01**  
**4267/01**

Core Module

Valid between 1 January 2003 and 31 December 2003

**READ THESE INSTRUCTIONS FIRST**

You should read the assignment carefully

It is important to complete the **Assignment Cover Sheet** when you have finished your work. You must complete the details and sign the declaration to confirm that the assignment is all your own work and your tutor must sign to verify that it is your own work.

The length of the assignment must be between 7000 and 8000 words.

This document consists of **4** printed pages.



## Case Study – Diploma Version 3

### Techno Ltd

Techno Ltd is a small company based in the UK with factories in the UK & Spain. The company manufactures and assembles integrated circuitry for the telecommunications industry. The components are used in telephones, televisions, compact-disc players, recording studio equipment and portable hi-fi's. The company has made a breakthrough in supplying a computer manufacturer based in Asia. The supply is for an initial period of a year with the option from the computer company of a further 6 years if the arrangements prove satisfactory.

The circuitry to be supplied initially will be produced in the UK: for these first two years the quantity per unit supplied by Techno Ltd is small, about 15% of the total integrated circuitry required. Techno Ltd have won the contract, however, because of the high quality of these components, which will make a competitive difference to the final product. Both parties hope that the initial trial period will go well and that Techno Ltd will then supply the computer company with 80% of its required circuitry for the next 6 years before renewing options become available. This will take 80% of the production capacity for the factory in Spain and 60 % of the UK capacity. Clearly, then, there is a great deal at stake for Techno Ltd.

The company is prepared to invest in developing plant and machinery to ensure the quality of the circuitry, both for the pilot and the main contract. It is aware that there will be a need for such development if they are to maintain the supply to their existing customers as well as to the new one. 50% of any money for such investment will be through a business loan against expected profits from the computer company contract.

The final assembly site for the computer company is to be a large plant near where you live.

You are a Business Advisor specialising in inward investment into your country and, in particular, into your region. The Managing Director of Techno Ltd has spoken with you about the possibility of establishing an assembly unit in the region, giving the company a shorter supply chain to their customer. You have spoken with her at length and she has given you her thoughts, which are set out in note form below.

Marie St. Clair, MD, has told you that:

The company will recruit a local workforce, provide skills training and will pay successful trainees 10% above local average wage. They will expect to develop supervisors from the workforce, who should then expect a leverage of 20% above local supervisory wage.

Working conditions will reflect the local economy, although the workforce will be expected to complete production contracts out of hours without overtime pay if required.

The company is looking to lease premises in the first instance, and, if the contract is successful, may purchase for the 6 years available on option.

The company will not accept any form of trade union.

It will expect tax concessions from the regional and national government in return for its investment, and will be seeking a contribution to the costs of training the workforce until full working capability is reached.

All finance will be managed in the UK

The company is looking for a speedy resolution once it decides to move to your area, no longer than 6 months from the agreement to move to full production capacity.

## THE TASK

For this assignment, you are to prepare a feasibility study of the plans to establish such a unit. You will need to research at least the following, and use this to provide supporting evidence for your strategies:-

- The global and regional trends in the production and sales of those goods which are being produced by Techno, to judge the viability of the company and its plans. You can assume that the computer company will retain its market share.
- The political and economic framework of your regional development strategy, particularly in terms of foreign, inward investment.
- The local labour market for semi-skilled assembly work, and the costs of investing in buildings and machinery.
- Best, medium and worst case scenarios for reviewing strategic risk
- An appraisal of the capital investment plans

Your study should be presented as a report, setting out the following:

1. A consideration of:
  - the strategic risk in moving the operation from the known factory base to your region
  - the risk in linking the production capacity of the company so closely to one customer
2. An appraisal of the capital investment plans in terms of the levels of risk posed by moving to your region
3. The effects on the short, and medium term profit and production levels, in the light of the capital investment, the levels of skills required and the start-up and gear-up periods
4. The economic and political environment both regionally and globally which impacts on the proposed plans.
5. The impact on the supply chain of the move.

You should close by giving your advice on:

1. The most cost effective structure of the company over the next 5 years, including its physical premises, supply chain management, HR policies and strategic alliances, partnerships and contracts.
2. A strategic business plan, setting out levels of assumptions and risks
3. How to minimise the disruptive effects of any change

Please note the following:

Information about the company which is not given may be assumed, and all such assumptions should be justified.

You should provide a number of alternative strategies in the business plan, depending upon the level of assumption and risk analysis you make.

All strategies you suggest should be supportable through reference to calculation, research, examples and/or theoretical models.

Your report should be addressed to Marie St. Clair, M.D. of the company.