



**BUSINESS AND ORGANISATION
HIGHER LEVEL
PAPER 1**

Friday 3 November 2000 (afternoon)

2 hours 15 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully and then answer all the questions.

CASE STUDY

Susumu Pens

The Susumu Pen Company was founded in 1890 by Susumu Ishikawa in Tokyo, Japan. The pen company enjoyed a reputation for quality and reliability in Japan and sales rose quickly throughout South East Asia.

5 In 1925 the Susumu Pen Company decided to manufacture and sell their pens overseas. By 1990 the company enjoyed successful production and sales in North America, Latin America, Europe, and South East Asia.

10 The Board of Directors believed that the global success of the company was based on their management style and business philosophy. Essentially, local managers were given a great deal of autonomy to decide on production techniques and marketing strategies appropriate to their local conditions. The headquarters, based in Tokyo, provided financial support, technical and marketing advice, where necessary, and appointed and promoted senior managers in the various countries. This decentralised management style meant that the Susumu brand had a different image in the countries in which it operated. In Japan, the Susumu refillable pen could demand a high price, as the brand was associated with high quality, durability and reliability. In Norway and Sweden the brand had a similar product position - associated with expensive refillable pens - not disposable pens. However in the United Kingdom and North America the brand was successful as a reliable and affordable disposable pen. Details of the product range in those countries is shown below.

Figure I Susumu Product Range March 1997

Brand Name	Country where the Brand is particularly successful	Product Description	Market
<i>Supersumu</i>	United Kingdom	Disposable pen Affordable and reliable	Mass market
<i>Sumuexec</i>	Norway, Sweden, Japan	High quality refillable pen Expensive and exclusive	Executives Expensive
<i>Sumupop</i>	North America	Brightly coloured, affordable, disposable pen	School children aged 10–14

20 In January 1997 the Susumu Pen Company was taken over by the Seattle Pen Corporation of America, but the Susumu brand name was kept. James Wong, Managing Director of the Seattle Pen Corporation, reviewed the profitability, product range, and production statistics of the various Susumu branches. James Wong believed that:

- the current marketing and production at Susumu was disorganised
- the company could make considerable marketing savings if it positioned itself as a global brand.
- economies of scale could be enjoyed if production was rationalised (countries would be asked to narrow their product range and to find ways to reduce costs).

James Wong proposed that the Susumu brand should be promoted as a reliable and affordable disposable pen in all markets throughout the world. James Wong had been impressed by the success of global brands in other industries. His research showed that huge savings could be made in marketing and production. He also argued that the product range should be scaled down so that unit costs could be reduced as volume increased. James placed great emphasis on the benefits of division of labour, the measurement of work and setting appropriate piece rate pay. He felt uncomfortable with the current 'team' culture that operated at Susumu and argued that management should take full control of decisions.

James Wong's proposals were strongly opposed by the regional managers. Chantal Shriver represented the views of these managers. She argued that a global marketing strategy was inappropriate when the product was perceived very differently in the various countries in which it was produced and sold. Chantal Shriver argued that each regional manager should market their products based on local perceptions of the brand. James Wong told Chantal that if she was not happy with the new strategy she should resign. The global approach would be implemented at Susumu starting April 1997.

Within six months the consequences of James Wong's proposals became clear. Product quality had worsened in every production centre and product sales had fallen in every country except the United Kingdom where the global strategy was consistent with the domestic brand position (see Figure II and Figure III).

Within nine months Daniel Franssen, the Chairman of the Seattle Pen Corporation, had accepted James Wong's resignation and had arranged for marketing consultants to advise the company on an appropriate strategy to retrieve the situation. Daniel Franssen also felt that communication within the company had suffered as a result of the changes James Wong had introduced.

Figure II Selected Financial Data for 6 months ending March 1997

Figures in '000 US Dollars				
Country	Sales(\$)	Net Profit(\$)	Capital Employed(\$)	Employees
United Kingdom	40 000	400	450	30
Norway	60 000	900	1000	45
Japan	100 000	850	1200	60

Figure III Selected Financial Data for 6 months ending September 1997

Figures in '000 US Dollars				
Country	Sales(\$)	Net Profit(\$)	Capital Employed(\$)	Employees
United Kingdom	40 000	400	450	30
Norway	50 000	700	1000	45
Japan	90 000	750	1200	60

1. Explain the following terms using examples from the case study:
 - (a) product positioning [2 marks]
 - (b) economies of scale [2 marks]
 - (c) division of labour [2 marks]

 2. (a) Explain the concept of global marketing strategy and assess the potential benefits for a multinational company. [3 marks]
(b) Analyse why the global approach adopted by Susumu failed in every country except the United Kingdom. [3 marks]

 3. (a) Compare the performance of Susumu for the 6 month period ending September 1997 (Figure III) with the previous 6 month period ending March 1997 (Figure II), using **three** financial ratios calculated for both periods. [3 marks]
(b) Comment on how this information will be useful to the management of Susumu. [3 marks]

 4. Explain why the data provided in Figures II and III might be unreliable for making meaningful management decisions. [4 marks]

 5. Use motivational theories to explain how the management style adopted by James Wong may have affected motivation at the various Susumu divisions. [6 marks]

 6. Analyse how communication at Susumu Pens may be improved. [4 marks]

 7. You represent the Marketing Consultancy. Propose a marketing strategy to improve the sales of Susumu Pens and evaluate its likely success. [8 marks]
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