

15.660 Quiz

INSTRUCTIONS:

This is an open book/open note quiz. Choose between questions 1 and 2. All students must answer question 3.

Answer ONE of the next two questions: **(66 POINTS)**

1. During the past five years, productivity and worker commitment at the Kendall Toy company have been declining. Productivity is now so low that Dr. Helen Kendall, the company's founder and president, is worried about the firm's future.

When Kendall, a mechanical engineer, started the company in 1980, she installed an assembly line so that workers could become specialized at their jobs, and hence, very productive. The employees were quite productive during the first ten years of operation. Then, several younger, newly hired employees began complaining about the repetitive, boring nature of the work. About that time, Kendall began to notice a decline in productivity. Kendall's assumed that pay was too low. Her thinking was that pay was not an issue for the original employees because many were women whose husbands worked. However, she now saw that newly hired employees were younger, unmarried, and that several held second jobs in order to earn more money. That seemed to explain why so many seemed to be coming to work too tired to work efficiently. Kendall decided to raise everyone's salary by 20 percent. Since she had 75 employees, this represented a substantial increase in payroll expenses. Nevertheless, she was concerned about productivity as well as the economic difficulties facing her workers. Besides, she knew that increasing the base pay of the current workers would be less costly overall than hiring more workers.

About two months after the salary increase, Kendall noted that the level of productivity had not increased. In fact, it had actually declined slightly. You have been hired as a consultant to work with Dr. Kendall to help her understand and solve the problem.

QUESTIONS:

- Why didn't the salary increase improve productivity?
- What other approaches might Kendall try to improve productivity and worker commitment?
- Which would you recommend? Do your recommendations differ if the company strategy is to be a low cost toy manufacturer? Do your recommendations differ if the company strategy is to produce toys of the highest possible quality?

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2. The Smithfield Medical Products firm manufactures high quality medical devices for the cardiovascular industry. They have contracts with three major device firms to supply catheters. Their middle-aged workforce is unionized, has had long tenure with the firm, and has a history of strained relations with management. However, because the firm is located in a rural community, turnover is low and the workforce has a vested interest in the firm's success. The founder also has a commitment to the community given his long-standing family ties.

Smithfield has managed to perform adequately until now but the industry is changing. The firm currently faces additional demands from a new client who requires higher volumes at a faster pace. Industry quality standards are also ratcheting upwards. Smithfield is considering alternative ways of responding to these new pressures. One option is to open a new plant in another part of the country. However, such a move would be costly given the firm's considerable capital investment, its investment in the skills of its existing workforce, and its community ties.

The question facing management, then, is whether it is possible to compete successfully with the existing workforce. The firm clearly needs to make some changes. But, management is worried about its ability to both think through what transformations are necessary and also how to sell them to the workforce. Discuss how Smithfield might proceed to meet the needs of its clients, to transform how it produces, and to address the difficulties it faces with its workforce.

QUESTIONS:

- What should the new work system look like?
- What strategies are available for getting from here to there?
- What are the costs and benefits of these strategies, and what has been the experience of firms which have attempted such a transformation?
- What advice would you offer to the CEO of Smithfield?

Everyone answer this question **(34 POINTS)**

3. The Sloan School of Management has a long proud history of faculty producing high quality scholarly research. The school attracts the world's best scholars by providing them the resources and environment to pursue their passion. As a result, the school attracts high quality doctoral students and runs a world class MBA program. However, U.S. News and World Reports has, over the past decade, published school rankings which put heavy emphasis on teaching. What HR levers might Dean Schmalensee use to improve the quality of teaching? What are the risks/benefits and tradeoffs of different approaches?