

**K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH**

**MHRDM - SEM - I Batch ( 2017– 2020)**

**Subject: - Principles of Management**

**End Semester Examination**

**Date: 24/11/2017**

**Duration: 1.5 Hrs.**

**Maximum Marks: 25**

**Note: (1) All questions are compulsory. (2) Marks for the question are indicated on the right.**

**Q1) Case Study Analysis (10)**

In late 1995, a fire at Malden Mills put 3,000 union jobs at risk. The timing couldn't have been worse. The 90-year-old manufacturer in Lawrence, Mass., has seen its revenues triple and employment double since emerging from bankruptcy in 1982. It's popular Polartec and Polarfleece fabrics were one reason. A loyal and productive workforce was the other.

In a time when offshore manufacturing became standard procedure in American business, Malden Mills' CEO Aaron Feuerstein opted to stay put and to rebuild his factory on the very site where his family had made textiles for 90 years.

**But what would the employees do in the meantime?**

The fire came just two weeks before Christmas, affecting employees both financially and emotionally. So just 2 days after the blaze, Feuerstein announced plans to pay his employees their full wages for 30 days. He would eventually extend that offer to 90 days for the paychecks, 180 days for benefits. Total cost to Malden Mills: \$25 million.

**Business madness? Many thought so.** But in an interview with CBS News/60 Minutes, Feuerstein disagreed: "I think it was a wise business decision, but that isn't why I did it. I did it because it was the right thing to do."

It took years, but Malden rebuilt in Lawrence and eventually hired back all the displaced workers. The workforce repaid Feuerstein with cooperation and productivity. According to the report in the Center & Jackson text, commitment to employees drove significant bottom-line outcomes.

Business grew 40% from pre-fire levels.

Customer and employee retention reached 95%.

Off-quality products dropped from 6-7% pre-fire to just 2%.

Production increased from 130,000 to 200,000 yds. per week.

**A business fairy tale?** It would seem so. Unfortunately, the case doesn't end here. Feuerstein found himself back in bankruptcy court, saddled with \$140 million in debt, much of it tied to the rebuild. The company hired a new president in 2004 as part of the Chapter 11 reorganization. It wasn't enough.

In 2007, Malden Mills made its 3rd trip to bankruptcy court, this time emerging as a company named for its flagship brand, “Polartec.” It’s still in Lawrence, but employs around 1,000 people worldwide, versus the 3,000 who once worked at the New England mill. Aaron Feuerstein is out of the picture. *(Confession: I only spent about an hour searching for updates on this story. If you know more about the post-2007 Malden Mills, please chime in on the comments.)*

**Did Aaron Feuerstein do the right thing in 1995?** Or did he let his high moral principles cloud his business judgment? Putting people before profits certainly seems the ethical thing to do, but is it the prudent thing?

If there’s a silver lining to this story, it’s that Polartec remains a great product with a loyal customer base, including me. None of that may have occurred had Feuerstein not saved the day on Dec. 13, 1995.

Sadly, Malden Mills didn’t turn out as such a classic case in employee relations in the reality of a business world that makes “maximizing shareholder value” its top priority.

**Discuss the issues involved in the given case study. If you have a personal experience to justify your points, please use the example(s).**

**Q2) a)** Explain the importance programmed versus non-programmed decision making in the workplace. **(8)**

**OR**

**b)** Comment on Porter’s theory of competitive advantage of a nation.

**Q3) a)** Discuss the relevance of human resource management versus scientific management in today’s work environment. **(7)**

**OR**

**b)** Elaborate on Indian Management Gurus’ – CK Prahalad and Ram Charan - contribution to management thought in recent years.

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