

1.3 Organisational Objectives: Assessment



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Read the case study below and answer the questions that follow.

Mission Statement: East Meets West PLC

"To be the consumer's first choice for Asian food, delivering products of outstanding quality and great service at a competitive cost through working faster, simpler and together."

EAST MEETS WEST PLC



In 2012, Zhuang Weifang, chief executive of East Meets West had told shareholders that her 'business transformation' objective would deliver a saving of \$600 million every year by the end of the programme in 2014 through a range of different strategies. In March 2014, a new executive, Zhou Changyanyi, said the programme had failed. She wrote off \$260 million against ineffective supply chain equipment and ineffective IT systems. Worse than that, the failure had lost loyal customers and those still shopping at East Meets West were spending less.

At heart of the problems were four brand new automated warehouses designed to handle all the products being delivered to the East Meets West's chain in the US. They should have delivered cost savings through economies of scale in distribution. Instead they led to a breakdown in communication between individual stores and the suppliers. IT systems should have matched what was being sold in stores with deliveries from automated warehouses. What actually happened was that stores were failing to get deliveries on time. The result was 'stockouts' – empty shelves in the stores where there should have been products for sale. If it is not on the shelves, the customers cannot buy it and

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so sales fall. Equally, some East Meets West customers got so frustrated by continual stockouts that they abandoned East Meets West altogether and did their shop at another Asian retailer.

There was also another problem. Stock was in the system but not in the right place. So, for example, fresh fruit and vegetables (a staple of many shoppers) which should have been on display for sale in a supermarket was languishing in one of the warehouses undelivered. The result was a considerable increase in wastage. Instead of being bought by customers, it was spoiling and being thrown away. When Zhou Changyanyi took over as chief executive in 2014, she quickly appointed Yeh Ling, the former operations manager at United Supermarkets, to sort out the supply chain problem. Yeh Ling put in place a number of solutions which have not completely solved the problem but, where fully implemented, have resulted in fall in stockouts of 75 per cent. She went back to Linked In Solutions and Siemens, the two groups behind the equipment IT systems, to try and make improvements. She put in extra labour to manually sort products where needed. She is also implementing a 'step change' programme across all East Meets West's stores to put clear systems in place around deliveries, stock auditing and making sure the inventory was correct.

East Meets West's supply problems were symptomatic of much wider problems. In the 2000s it lost market share to Taste of Asia. By 2014, taste of Asia had one third of the Asian grocery market, twice the market share of East Meets West's. The company has to address the fact that it is not the cheapest supermarket at which to shop, customers do not seem to value the differences between it and its competitors and yet aims to be a distinctive mass market Asian grocery retailer. It cannot afford to make mistakes at the function level if it is to stand any chance of closing the gap between itself and Taste of Asia.

Source: BusinessManagementIB.com

25 Marks, 45 minutes

1. Explain the importance of setting objectives in managing an organisation. **[4 marks]**
2. Explain the purpose of mission statements and vision statements. **[4 marks]**
3. Distinguish between objectives and strategies with reference to how they interrelate with each other. **[5 marks]**
4. Evaluate:
 - i. The extent to which the cost savings programme affected East Meets West's ability to achieve its corporate cost savings objectives. **[6 marks]**
 - ii. The extent to which East Meets West has achieved the objectives set out in its mission statement. **[6 marks]**