

KATHMANDU UNIVERSITY  
End Semester Examination  
February/March, 2018

MAR 21 2018

Level : B. E.  
Year : IV  
Time : 2 hrs. 30 mins.

Course : CIEG 405  
Semester : I  
F. M. : 55

SECTION "B"

Attempt *ANY SIX* questions.

1. a. Explain Ethical decision making framework. [2]  
b. What is whistleblowing? Explain why whistleblowing is important in maintaining high ethical standards in any organization. [2]
2. "Self-employment is the best method of solving the problem of growing unemployment in the country." Do you agree or not explain with reasons? Suggest a suitable strategy for the identification and development of entrepreneurs. [4]
3. There are many forces that drive the entrepreneurial trend in today's economy. Some entrepreneurs have faced many challenges and setbacks that have prevented them from succeeding in their new ventures. Despite the major drawbacks, what's still feeding the entrepreneurial fire? [4]
4. Briefly outline few "mental locks" that can limit individual creativity. Give an example of a situation in which you subjected yourself to one of these mental locks. [4]
5. When it comes for new businesses to enter the market, discuss why entrepreneurs need to be aware of a niche strategy. [4]
6. Lately, customers have become more price conscious, so retailers have changed their pricing strategies to emphasize value. Identify the pricing methods adopted by these retailers. [4]
7. What factors should a meat processing plant, a beauty shop, and an exclusive jewelry store consider in choosing a location? List factors for each type of business. [4]

SECTION "C"

Attempt *ANY TWO* questions.

8. Financial ratio analysis is an important tool for businesses. How does an entrepreneur interpret financial ratios? Explain any eight ratios with convincing examples. [8]
9. Explain the steps involved conducting a feasibility analysis. [8]

### A Company with a Soul

In 1974, Bill Crutchfield was living in his mother's house and working as the general manager of a forklift company after an unsuccessful stint in Hollywood, where he tried to sell a screenplay he wrote to a movie studio. He took \$1,000 he had saved and started a mail-order car stereo company after trying in vain to find a stereo that he could install himself in an old Porsche he was restoring for resale. Of course, Crutchfield needed far more than \$1,000 to start an electronics catalog company and was able to convince a local banker to extend a \$25,000 line of credit to the new company, which he named Crutchfield after himself.

Crutchfield kept his job at the forklift company and ran his business as a one-man operation. After working all day, Crutchfield would drive to the post office to pick up orders, drive to his mother's home where he was living, pack up the products with a personal thank-you note to ship to customers, and drive the packages to UPS for shipment. Unfortunately, only seven months into the venture, Crutchfield was incurring a loss and was about to run out of cash. As a last-ditch effort, he sent a one-page questionnaire to everyone who had ordered a catalog, asking customers what the company could do better and noncustomers why they had not placed an order. Crutchfield says the responses he received not only saved his company but still guide its customer service philosophy to this day. The problem was not with the catalog's products, brands, or prices; instead, customers were intimidated at the idea of installing a car stereo on their own. That feedback inspired Crutchfield to redesign his catalog (after all, it was the 1970s, long before the Internet) into a more polished product that included easy-to-follow articles on car stereo installation techniques, step-by-step photographs, and customer testimonials. The redesigned catalog worked, and sales increased dramatically in just a few months. That simple survey taught Crutchfield the importance of listening and responding to his customers, a lesson that has stuck with him for 40 years. Crutchfield's product line has expanded to include more than 9,500 high-end audiovisual products ranging from flat-screen televisions to cameras and speaker systems. In the company's research department (yes, a retailer that manufactures no products has a research department), employees are busy dissecting the products Crutchfield sells so they can share the details of their features and designs with the members of the sales, call center, and technical support teams. The technical support department routinely takes apart products to ensure they understand exactly how they work. Digging into the details of every product the company sells is a vital component in the company's customer service equation, but Crutchfield takes a broad view of customer service. Crutchfield does not define customer service as only fixing problems once they occur. The company tries to think like its customers and put in place customer support features to make the customer experience better. Toward that end, Crutchfield has developed detailed car stereo installation guides for more than 16,100 vehicles, many of which contain how-to photos of the technical crew as they remove a factory radio and install one from the Crutchfield catalog. To enhance customers' experience, Crutchfield also makes a significant investment in training its 500 employees. In addition to the extensive training that technical support workers receive, sales advisers spend 13 weeks of classroom and hands-on installation training before they begin fielding customers' calls.

Crutchfield's focus on his customers pays off. The company generates \$250 million in annual sales, is debt free, and has never experienced a layoff in its history. It has earned a five-star rating from Yelp and is the only retailer to win BizRate's Circle of Excellence award for 11 consecutive years. In 2007, Bill Crutchfield was inducted into the Consumer Electronics Hall of Fame, where he joined the ranks of notables

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such as Steve Jobs and Thomas Edison. Crutchfield's passion for taking care of customers has never subsided even as the company grows. He recently penned a set of core values—including exceeding customers' expectations, passionately pursuing continuous improvement, and treating employees with respect—that he explains to every employee in face-to-face meetings. Those core values are a significant part of the company's hiring process, in which managers' look for candidates who demonstrate an attitude of service. Crutchfield believes that although you can train people for technical skills, it is critical for its business model to hire people who truly enjoy helping other people. Although Internet sales now account for 70 percent of sales, catalogs remain an important part of the business; Crutchfield mails more than 30 million of them each year. The company can never compete on price with Wal-Mart and the myriad of Internet stores. The company competes with its high level of customer service and its attention to its culture, which the Crutchfield refers to as the company's soul.

- a. What impact has Crutchfield's strategy of providing superior customer service had on the company's success? In what ways does the company communicate its superior service strategy to customers?
- b. Crutchfield makes it clear that his company does not compete with its rivals using low prices. What lessons can other small businesses learn from Crutchfield about the relationship between prices and customer service?

