

BSBMGT608 Manage innovation and continuous improvement

Assessment Task 1: Case study

The Assessment Task is due on the date specified by your assessor. Any variations to this arrangement must be approved in writing by your assessor. Submit this document with any required evidence attached. See specifications below for details.

Performance objective

To demonstrate the skills and abilities to review, evaluate and analyse programs, systems and processes, and to identify variances from plans. To identify and analyse changing trends and opportunities, including new technology and electronic commerce opportunities.

Assessment description

Review the case study 'AC Gilbert'. Answer series of questions based on the information provided and any additional research you undertake. Record your response in a Word document.

Procedure

1. Read the case study 'AC Gilbert' (Appendix 1).
2. Analyse the information provided and prepare a report addressing the following points.
 - a. Identify the key systems and processes used by AC Gilbert.
 - b. Develop performance measures, assessment tools and techniques that you would use to evaluate the effectiveness of the supply chain, operational and product service delivery systems.
 - c. Assuming your measures were implemented, evaluate their effectiveness using the data provided for results up to 1966. Write an analysis on the variances from plans for the key result areas (KRAs).
 - d. What trends did AC Gilbert fail to identify in the late 1950s? Discuss the opportunities that were missed, including how AC Gilbert could have used this information to grow their business. Also, consider the strengths and weaknesses of the AC Gilbert Company prior to 1960.
 - e. What specialists could have been consulted to advise on and identify new technology or other commerce opportunities?

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Specifications

You will be assessed against performance objectives mentioned in this assessment task. Before you submit your work to Assessor, check to include the following-

Submit a written report.

Quality specifications

1. Identify the key systems and processes used by AC Gilbert, including:
 - a. supply chain
 - b. operational systems
 - c. product/service delivery.
2. Develop performance measures, assessment tools and techniques that you would use to evaluate the effectiveness of the supply chain, operational and product service delivery systems. Performance measures may include (if applicable):
 - a. key result areas (KRAs)
 - b. key performance indicators (KPIs)
 - c. performance reviews
 - d. service level agreements.
3. Assuming your measures were implemented, evaluate their effectiveness using the data provided for up to 1966. Write an analysis on the variances from plans for the key result areas.

Include discussion on performance with regards to:

- a. quality – design/manufacturing
- b. sales
- c. profit
- d. supply chain performance (delivery)
- e. business growth – staff and management performance and/or turnover.

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4. What trends did AC Gilbert fail to identify in the late 1950s? Discuss the opportunities that were missed, including how AC Gilbert could have used this information to grow their business. Also, consider the strengths and weaknesses of the AC Gilbert Company prior to 1960 in the following areas:
 - a. market share
 - b. reputation
 - c. stability
 - d. profit
 - e. sales
 - f. ability to adapt to change
 - g. customer service standards
 - h. innovation
 - i. employee performance
 - j. production and manufacturing.
5. What specialists could have been consulted to advise on and identify technology and electronic or other commerce opportunities? Consider:
 - a. Internal – engineers, production staff, manufacturing staff, sales personnel, human resources personnel.
 - b. External – marketing consultants, advertising experts, engineers or designers, IT consultants.

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Appendix 1 - AC Gilbert

History 1909-1961

Alfred Carlton Gilbert was an inventor and a toy manufacturer who invented the Erector engineering set. His original company, The Mysto Manufacturing Company, was founded in 1909 to manufacture the Erector set. In 1916, Mysto became the AC Gilbert Company and gained a reputation for producing quality toys.

By the 1950s, AC Gilbert was one of the leading toymakers in the United States with annual sales regularly topping \$17 million. This was an outstanding achievement for a relatively small company.

In 1961, AC Gilbert senior died, leaving the company in the hands of his son, AC Junior. At the time AC Junior took over the firm, the company was established as a traditional, reliable and profitable manufacturer of educational toys.

Product lines and rationale

AC Gilbert produced train sets but their most popular lines were chemistry sets, microscopes and their best seller, the Meccano-like Erector engineering sets that had been popular with children for more than 50 years.

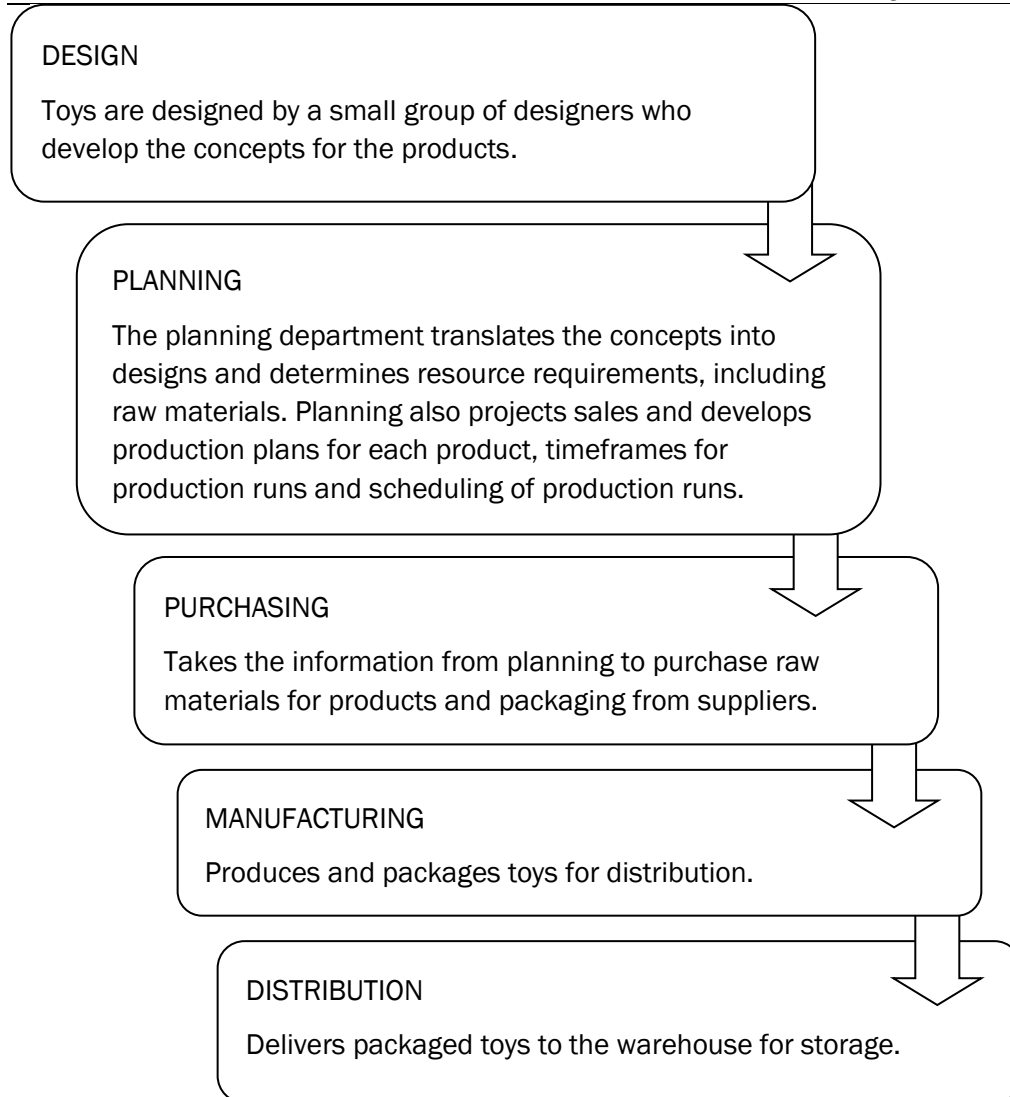
AC Gilbert toys were not cheap. They were high quality, solidly crafted and made to endure. Parts and packaging were designed to last for many years, with the Erector set packaged in long-lasting metal boxes. The focus was on educational toys, primarily aimed at boys rather than girls. The company had a limited range but what they did manufacture was top quality and highly regarded.

Systems and processes

AC Gilbert was a small company. The following model demonstrates the systems and processes in place.

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Note: These flowcharts have been included for assessment purposes only, and may not accurately reflect the actual processes in place at AC Gilbert.

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History 1961-1967

As the 1950s moved into the 1960s, there were huge cultural changes across the world. The fifties were a very traditional era of family values and morals, conservative and staid. Then came the 'swinging sixties'. The sixties were a time of rapid change both technologically and culturally. Old fashioned values gave way to new moral freedoms. The sixties brought us the Pill, Lady Chatterley's Lover, the Twist and Elvis.

Where the fifties represented solidarity and familiarity, the sixties embraced change. Everything was bolder, brighter and more daring. A new young President and rising social activism by youth saw changes in clothing, music and interests. Young people rebelled against the values of their parents and embraced a more fast paced, exciting and riskier lifestyle.

Changes to the toy industry

Cultural changes had a huge impact in western toy markets. Barbie and Action Man became 'must have' toys. Girls moved away from baby dolls and cots and wanted dolls that were more grown up, modern and trendy. They wanted dolls they could dress in the latest fashions and who had exciting 'careers', boyfriends and cars of their own. Boys were moving away from the traditional train sets towards exciting new slot-car racing sets and action figures from popular movies and television shows.

Traditionally, toy advertising had been done via magazine promotions but the sixties brought in a new phenomenon: television advertising. A hugely powerful medium, TV advertising became increasingly 'hard sell', with toys heavily promoted, especially in the lead up to Christmas. Children wanted the latest and greatest toys that they saw in these advertisements and put pressure on their parents to buy, which they did.

Retailing of toys during this period reflected a shift in retailing in general. Small, specialty retailers with experienced and knowledgeable staff were going out of business, replaced by large discount stores catering for the mass market. The goal of this type of retailer was to turnover stock. Heavily advertised lines were in demand and that is what they would stock. Cheap was in and giant retailers were after a quick profit from easily saleable, inexpensive products. They weren't interested in catering to a niche market by stocking more expensive, harder to shift lines.

Packaging was bright and colourful in order to attract children growing up in a world of colour TV, Technicolor clothing and visual stimulation provided by the swinging sixties.

Impacts on AC Gilbert

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As a small, traditional company, AC Gilbert was slow to react to these changes. It may have been that they were not aware of the changes or were overly confident that their good name and reputation was sufficient to continue trading as before. The consequences of this short sightedness soon became apparent.

1961 (figures approximate)

L/Y Sales	Actual sales	Difference	Profit
\$12.6 million	\$11.5 million	(\$1.1 million)	\$20,011.00

This drop in sales was also reflected in a fall in the share price of the company.

Outcomes

As a result of the falling profits and share price, the company became attractive to an opportunistic businessman, Jack Wrather. Jack Wrather was an independent television producer who had made his money producing the popular programs 'Lassie' and 'The Lone Ranger'. Jack Wrather wanted to purchase a successful business and felt that in AC Gilbert, he had the opportunity to use his knowledge of popular entertainment and apply it to the production of toys. He purchased 52% of AC Gilbert for \$4 million and immediately set about making his mark on the company. AC Junior stayed on as Chairman but his influence was minimal.

Actions taken by Jack Wrather

- Set a goal to achieve sales of \$20 million in 1963.
- Replaced the top AC Gilbert executives with his own people.
- Initiated a massive advertising campaign.
- Increased sales staff by 50%.
- Instructed sales staff to adopt an aggressive sales approach.
- Introduced 50 new toy lines, raising the line to 307.
- Changed the focus from traditional boys toys to ranges for pre-school children, dolls and other toys aimed at girls between the ages of 6 and 14.
- Spent \$1 million on changing the packaging for all lines to brighter, more colourful boxes.

Performance report

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Year	Sales	Difference from previous year	Loss
1961	\$11.5 million	(\$1.1 million)	\$20,011.00
1962	\$10.9 million	(\$600,000.00)	(\$281,000.00)
1963	\$10.7 million	(\$200.000.00)	(\$5.7 million)
1964	\$11.4 million	\$700,000.00	(\$2.6 million)
1965	\$14.9 million	\$3.5 million	(\$2.9 million)
1966	\$12.9 million	(\$2 million)	(\$12,872,000.00)
1967	AC Gilbert closed 1909-1967		

Key milestones

1962

- Jack Wrather purchased 52% of AC Gilbert.
- Replaced existing executives with his own people.
- Increased sales staff by 50%.
- Implemented extensive television advertising.
- Set an organisational goal to achieve sales of \$20 million for 1963.
- Company recorded a loss of \$281,000.00.
- Introduced 50 new lines in less than 12 months, using existing engineers and production departments who lacked training and experience in the new product range.
- Repackaged existing lines at a cost of \$1 million.

1963

- Sales and profits down on previous year.
- Anticipated drop in profits due to expansion and cost of establishing new lines.
- Sales fell short of expectations.

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- Decline in quality of toys – feedback indicated products poorly made and designed (dolls did not even come with a change of clothing).
- New range perceived by customers as poor quality and over-priced – not value for money nor attractive to the target market.

1964

- Jack Wrather fired most of the top management team he hired two years previously.
- Crisis management lead to multiple changes and dramatic measures being taken and then changed – often one measure contradicting the previous.
- Jack Wrather hires new CEO – Isaacson.
- Isaacson fires the entire sales team.
- Isaacson makes huge cutbacks in spending.
- Sales are channelled through independent manufacturers reps, which was cheaper than maintaining an in-house sales force.
- Long standing relationships became soured as the independent reps worked on commission and pushed sales, with no interest in maintaining or building relationships with customers.
- AC Gilbert had built its success on personal service and building relationships – that was destroyed within 12 months.
- AC Gilbert Junior dies and is replaced as Chairman by Jack Wrather. Isaacson assumes the role of President.
- Prior to Christmas, many of the previous year's failed products were deleted and 20 new items introduced.
- Reduced the price of core lines such as the Erector set from \$75 to \$20 but quality also impacted – cardboard box instead of metal boxes, and brittle parts instead of sturdy long lasting parts.
- Sales increased and there was some degree of optimism.

1965

- Sought to capitalise on popular crazes such as James Bond and The Man from Uncle by introducing action figures for Christmas.
- Due to internal strife and staff cutbacks, the new lines were not delivered to the stores until after Christmas.

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- Operating on a skeleton workforce.
- Due to lack of staff, AC Gilbert are unable to implement changes or introduce new lines quickly enough to capitalise on trends.

1966

- Increased advertising spending to \$3 million.
- Introduced point of purchase display products supplied to dealers free of charge.
- Borrowed \$6.25 million, granted on the event that the company made a profit in 1996.
- Company made a loss of \$12,872,000.00.

1967

- February – AC Gilbert closed its doors after 58 years.

Note: This case study is a true story. You may wish to read more about this organisation or to conduct additional research online.

Reference material

- Tibballs, G., 1999, *Business Blunders*, 'AC Gilbert: Toy Story', Robinson Publishing Ltd, pp. 43.