

# Operations management course. memo

[Business](#), [Management](#)



no. Business memorandum Bruce Chan, Managing Director Cc: Jung Lee,  
Production Manager Sarah Brooke, Head of Sales Department

Ref: 'CX Technology' by Ketan Bhole, Jordan Lee, Eileen Lu, Idrajit Sen.

Re: Evaluating the possibility of expanding into the automotive industry.

### Introduction

Over the last 20 years, CX Technology has been one of the largest suppliers of cold forged steel speaker constituents to many renowned companies. Most of these companies have been loyal to the company during this period, allowing the company to fetch over 51 million US dollars by the close of 2007. However, as Bhole et. al state, the rate at which new clients are coming in is not encouraging, and this being a volatile industry, the company needs to secure its future (2). One of the surest ways of achieving stability is diversifying into the automotive industry.

### Analysis of the situation

Although CX Technologies has been able to maintain its position in the market, growth has plateaued and with the incoming recession, business is set to go down further. Bhole e. al states that the company's expansion into the Asian market recently and considering the positive outcomes of this expansion, the probability of succeeding into the automotive industry is high (7-8). According to observers, the automotive industry faces a bleak future, considering that many people are more apprehensive about rising gas prices, a factor that has led to lower vehicle purchases. The situation has been aggravated by the fact that the largest three manufactures have approached the government in search of caution against the recession. According to Bhole et. al, possibilities for success are raised by the sheer size

of the industry in the United States is a major motivating factor in this expansion (7). This allows for CX Technology to penetrate the market and offer competitively lower prices, since the company's personnel are enough to provide the needed labor. With branches in Asia already, the company is in a good position to tap into the Chinese market and take advantage of the growing economy and demand for automobiles.

#### Alternatives

The company can alternatively continue operating in the current industry exclusively and continue to face stagnation.

The other option is to venture into making forged steel for bicycles, a field in which the company has had experience.

Making beer kegs is the only other available option for the company, although it is cumbersome to meet certain specifications.

#### Recommendations

Conduct more research, especially on the financial viability of such an enterprise in these economic times.

Enlist the services of MBA students from the MIT Sloan School of Management and get expert advice concerning the proposed venture.

Expand the branch in Taiwan, since it offers more lucrative opportunities for doing business in Asia.

Start operations both the U. S and Asian markets simultaneously.

#### Risk and sensitivity analysis

This is a risky project because it puts the entire future of the company at stake. If the decision is made to follow up with the plan, then the company risks running bankrupt, especially considering the current recession.

### Future developments

If the proposal into expand to the automotive industry is passed, then feasibility studies need to be undertaken as soon as possible. The company's entire workforce is to be notified about the new enterprise, so as to be prepared to provide the necessary labor.

### Conclusion

In conclusion, every business needs to take a risk once in a while and test new opportunities; otherwise it risks stagnation and monotony. Venturing into the automotive industry seems like a worthwhile risk for CX Technology, in an effort to grow the company's consumer base.

### Work cited

Bhole, Ketan, et. al. CX Technology. 28 May. 2009: 1-13. Print.