

Birch paper company

Finance



Question The four division running under the Birch Company operates independently. The autonomous granted to the four division had proven success in terms of profit in each division. Thompson division dedicated much of its resources to enhance the quality of boxes being produced. Thompson claims that it has to reap from its innovation; it sets the minimum price for thousand boxes to be \$480. Though the Birch Company allows the other division to purchase boxes from outside companies, the other divisions were interested in the enhanced by Thompson division. They thought Thompson will lower the prices for them, but Mr. Brunner was adamant on that issue and claimed he had invested much in that development.

Question 2

Decentralization of the various units is successful as proven by the increased proceeds from each division. The significant result of the decentralization is the enhancement in the design of the boxes. If the company were still operating under the Birch Company, no manager would have taken the initiative to invest in the development of boxes.

Decentralization has undermined the cooperation among the divisions. If the management was centralized, the selling of the supplies to the divisions would have been coordinated. The selling prices for the supplies would have been favorable.

Question 3

(a) Out-of-pocket cost for boxes- \$ 400

Out-of pocket for printing-\$ 25, the total out-of-pocket is \$ 425.

(b) $\$ 480 - \$ 425 = \$ 55$

Question 4

Mr. Brunner had invested heavily in the research and development of boxes

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and expected high returns. Yes, he is not considering the overall profitability of Birch Company and competition from other box producers.

Question 5

Mr. Kenton should accept from Eire Papers. Eire papers placed the lowest bid which will reduce the cost of doing business Northern division.

Question 6

The best bid for the best interest of Birch Company is that of Eire Papers. This is because the bid is cheaper than that of Thompson division. The commercial vice-president should intervene on that matter. If he fails, the future of Thompson division will be at stake due to its high prices. He should advice Mr. Brunner to reduce the prices for its service.