

1. Carefully read the given below and answer the question that follow

Smart Conveyance came into operation one decade back with different brands of 200 taxis which provide cab services for the people who shuttle round the capital city, Kathmandu. With the slogan “Any Time Any Where”, its explicit objective was to cater cab service to the people of Kathmandu valley enchanted and admired by the riders of the cab, Smart Conveyance experienced a pretty golden time supported by the government’s apathetic outlook toward the public transportation service which it is supposed to provide on non-profit making basis. Government’s stake in this sector was virtually nil and the valley were facing a troublesome time in visiting around the valley. Smart Conveyance enjoyed a period of growth and attracted a large number of rides because of its availability “Any Time Any Where”.

Situation changed during last few years. The privatization and liberalization policies embarked by the government fostered an atmosphere which resulted into mushroom growth of financial institutions. The political unrest grew extremely which drove away many people outside the capital from their home place to Kathmandu for secured settlement. Coupling these two major changes together induced many new entrepreneurs to enter the public transportation service business. During last few years, a large number of micro buses and buses have been seen in the street of capital catering transportation services to the people around the valley. The main attractions of these minibuses and buses were the cheaper fare, timely availability, and convenience. Popularity of these minibuses service grew speedily.

During this period, several problems entered into the scene which created a grave situation to Smart Conveyance. These new problems included an intense competition among the cab service business, economic downturns, political and social turmoil, strict legal provisions for the protection of environment, unbroken rise in gasoline prices, and labor unrest. To make the situation worse, many cabs which were in use had been worn out the repair and maintenance cost of which was very high. In addition, Smart Conveyance had had a tough time with labour union. The union went on strike against the company. Instead of using collective bargaining mechanism to solve the problems, smart conveyance took a hard line approach and hired 300 strike replacements. The strike lasted for a bitter and violent year period during which Smart Conveyance suffered huge loss. Smart conveyance was forced to retrench its work force by 25% and reduce its cab by 50%. This resulted in low morale of the employees and the remaining few regular riders also seemed to lose the confidence.

Realizing the harshness of the situation Smart Conveyance, as an attempt to improve the service and to gain confidence of the riders, planned to make an additional investment of Rs 100 million in new cabs. Unfortunately, these efforts also failed to rely the company and that the company: on time performance dropped to less than 60%.

At the early of the year 2018, smart conveyance’s stock price fell sharply by 50% and the deep financial crises encountered by the company put it in the brink of bankruptcy.

Questions:

- a. Give the summary of the above case with the major issues.
- b. Discuss the internal environment in which Smart Conveyance found itself to be in a financially troublesome position?
- c. What mistake did the Smart Conveyance make in dealing with labor unions? And what would be your prescription to resolve the issues ?