

Relocation of Corporate Headquarters for LCC

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Topic: Decision on a new corporate Location for the Lonavala Construction Company

Background: Lonavala Construction Company (LCC) started as a stone quarry in the small sleepy town of Lonavala between the twin cities of Mumbai and Pune in Maharashtra. It was started by Yakub Salebhai Contractor and was run very successfully. In 1981 his son Mr. Al-Azhar Contractor took over as the managing director of the company and ventured into road construction. This diversification brought a new era in the company and it began to grow. The company purchased its first asphalt plant in 1984 and also was able to secure its first government contract then. Since then the company has mainly focused on Government contracts with very few private contracts and has grown to be a reputed organization in the western hemisphere of India. LCC has executed some big contracts for the National Highway Authority of India, and big private companies like Larsen and Toubro, Tata Power etc. The geographical boundary explored by the management has been limited to the state of Maharashtra, Gujarat and Rajasthan in the western hemisphere of India. The corporate headquarters as mentioned earlier are located in Lonavala and the company has maintained a fair amount of monopoly in the local region of Lonavala.

Lonavala although a very lively city and in very close proximity to the twin cities of Mumbai and Pune, lacks the appropriate infrastructure required to sustain a growing organization. Lonavala is also unable to attract skilled labor and that poses a problem for the growth of LCC. Hence relocating the headquarters or opening satellite offices was an issue that was being debated for quite some time by the management.

This model help us make that decision and quantitatively suggests where and how to relocate the business.

Alternatives: Decide the location of the headquarters for the construction company

Alternative 1: Status Quo (Existing Plant in Lonavala)

Alternative 2: Mumbai

Alternative 3: Pune

Alternative 4: Headquarters in Lonavala and Satellite office in Pune

Clusters and Nodes

Clusters/Nodes	<ul style="list-style-type: none">• Criteria<ul style="list-style-type: none">○ Availability of skilled human capital○ Brand Image○ Competition○ Finance Availability○ Profitability• Model: <i>This is the top level network.</i><ul style="list-style-type: none">○ Benefits: <i>Benefits</i>○ Costs: <i>Costs</i>○ Opportunities: <i>Opportunities</i>○ Risks: <i>Risks</i>
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The Model

To establish Ratings scales and evaluate the importance of Benefits, Costs, Risks and Opportunities of the Decision Making Model, we developed a strategic value criteria. Cost Efficiency, Customer Satisfaction, Long Term Sustainability and diversification of Risks.

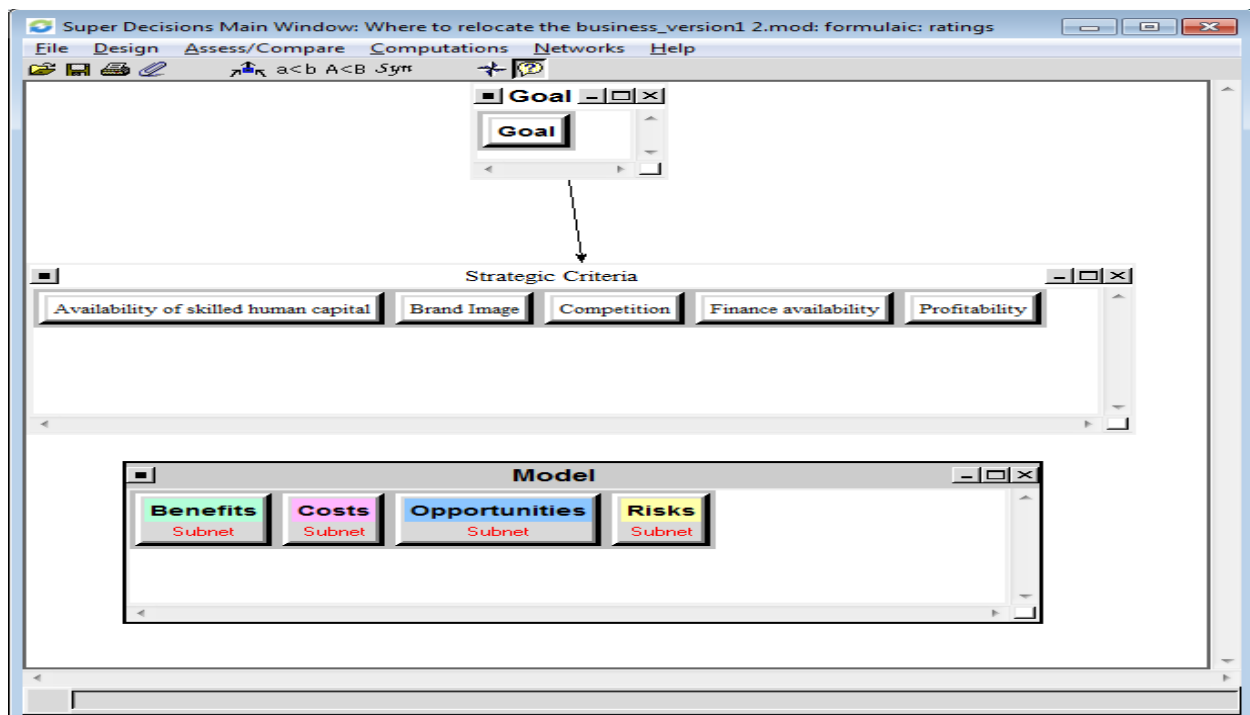


Figure 1

Subnet Under Benefits

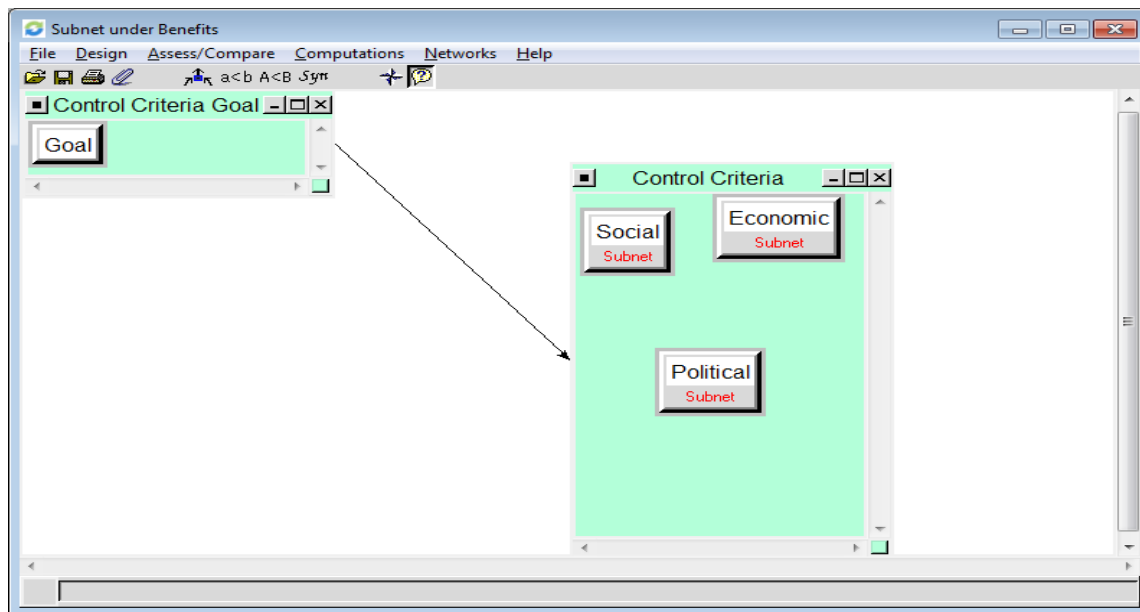


Figure 2

Subnet Under Opportunities

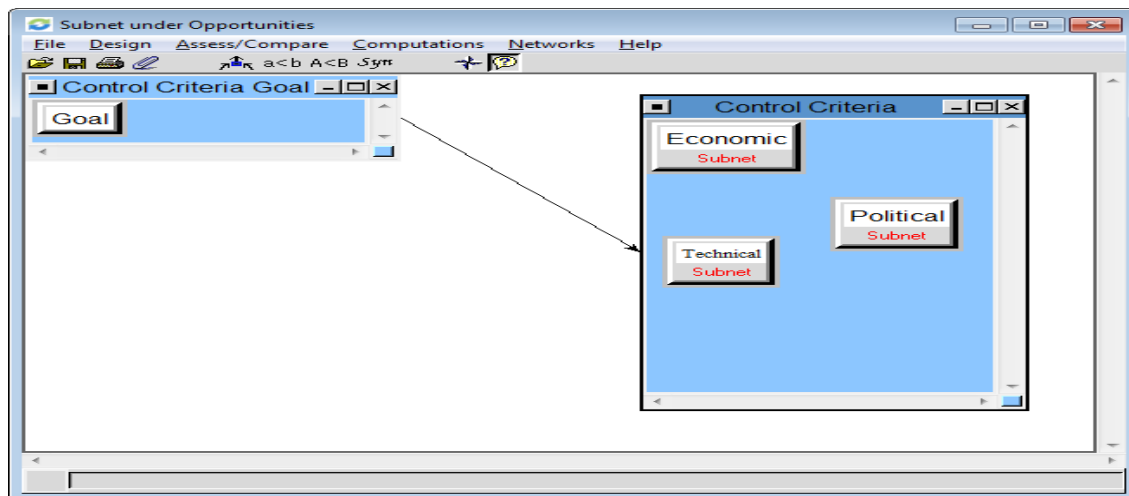


Figure 3

Subnet Under Risks

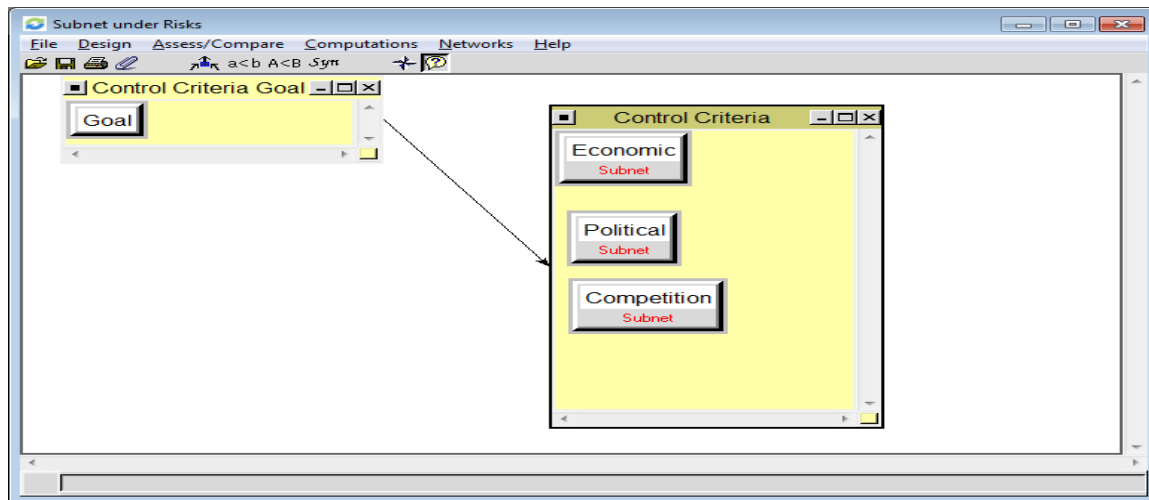


Figure 4

Subnet Under Costs

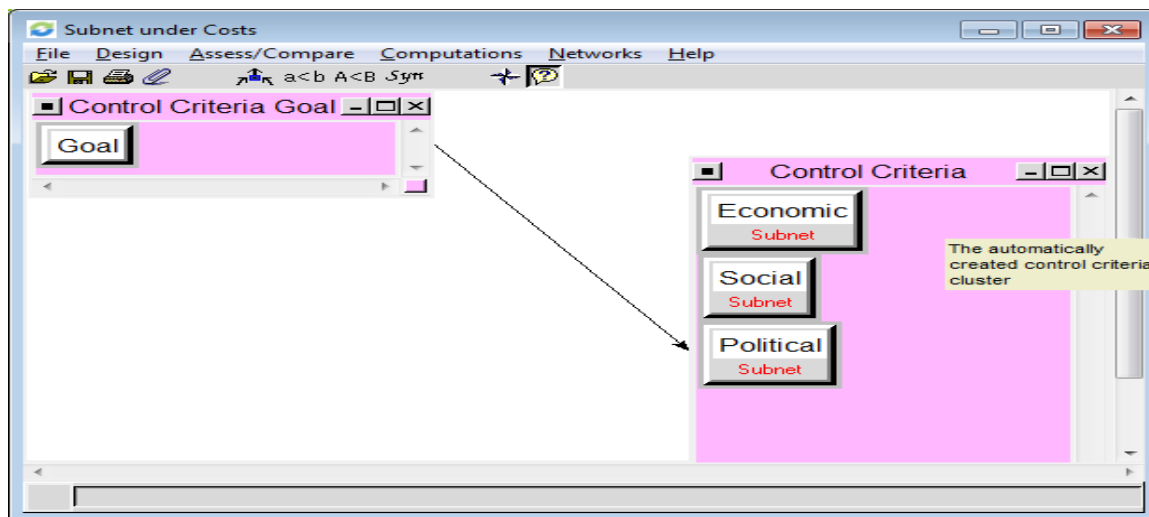


Figure 5

Synthesized Results from Super Decision program

By using Super Decisions program, we obtained the synthesized results regarding Benefits, Opportunities, Costs, Risks and the final result of the whole model. Under each of these subnets, social economic and political factors were considered.

Results from Benefits

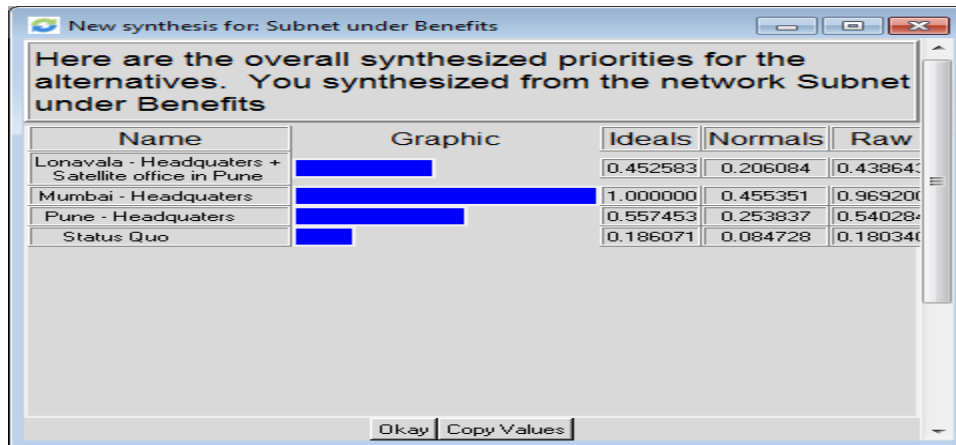


Figure 6

The main economic benefits that were considered were technology benefits, benefits for human capital and the availability of financial resources. The social benefit was considered keeping the human capital (employees) in mind. Some of the factors that were considered were the education, entertainment and lifestyle that the human capital would face in each of the different cities. The main benefits under political benefits were the benefits of establishing new political contacts.

Result from Costs

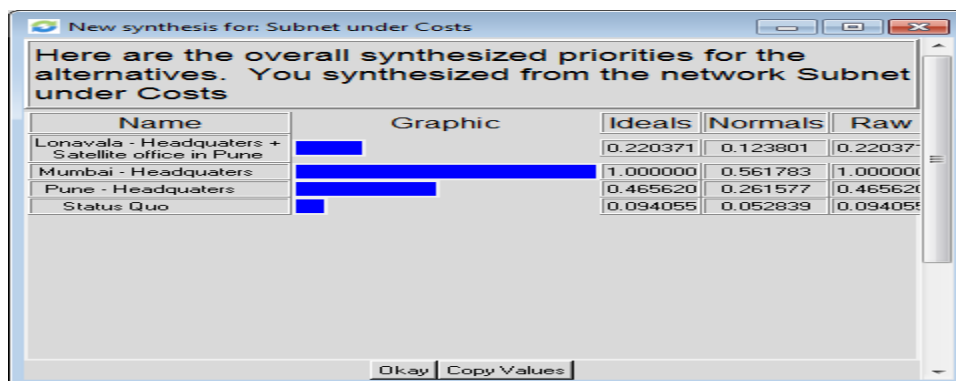


Figure 7

The main economic costs that was considered were the costs that the company would incur in terms of its stakeholders(i.e employees customers suppliers). The social costs were again considered keeping the human capital (employees) in mind. Some of the factors that were considered were the education, entertainment and lifestyle that the human capital would face in each of the different cities. The main costs under political costs were the benefits of establishing new political contacts.

Results From Opportunities

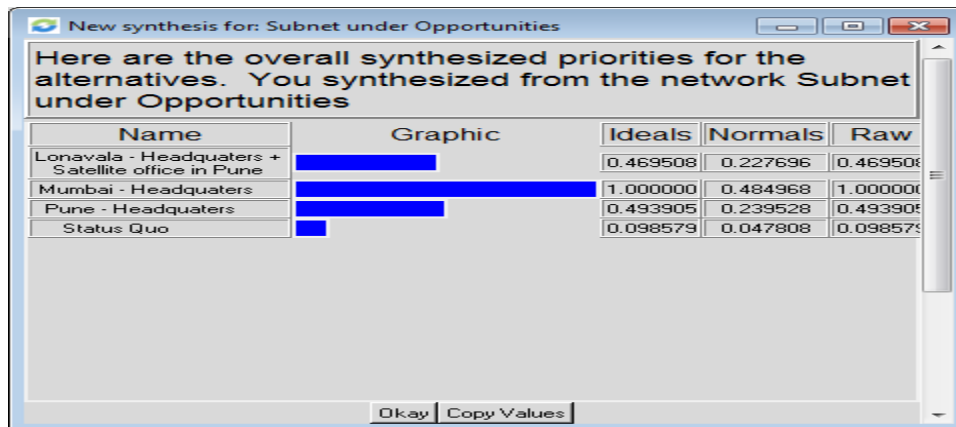


Figure 8

The main economic opportunities that were considered were access to better technology, opportunities for human capital. The social opportunities were considered keeping the human capital (employees) in mind. Some of the factors that were considered were the education, entertainment and lifestyle that the human capital would face in each of the different cities. The main opportunities under political opportunities were the benefits of establishing new political contacts.

Results from Risks

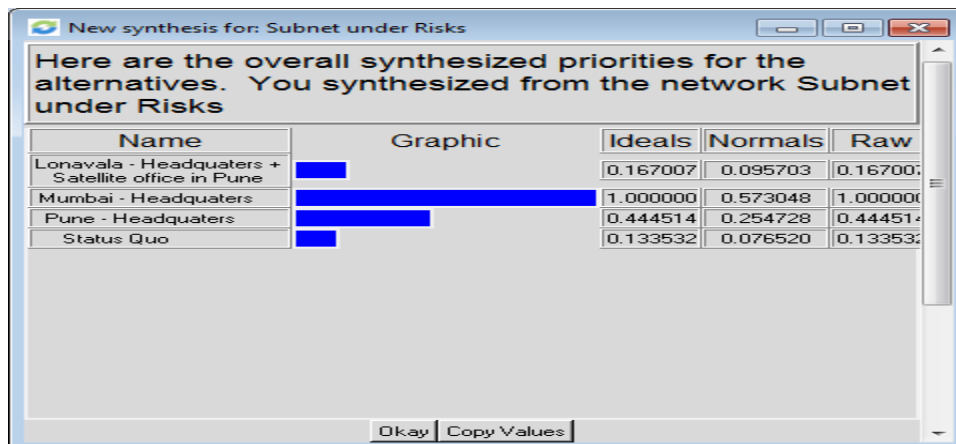
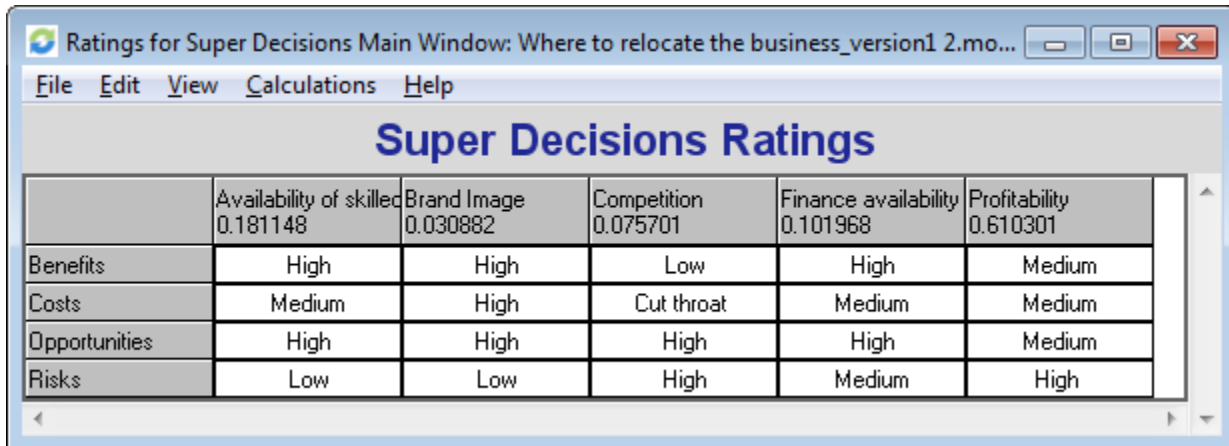


Figure 9

The main economic risks that were considered were changing government regulations, new taxation rules, new banking policies and loss of employee support. A major risk that we had to consider was that of completion from competitors, lack of co-operation from suppliers. The main risk under political risk was the possibility of creating hostile political relations.

Hierarchy of Criteria for Rating Benefits, Opportunities, Costs and Risks

The four merits of BOCR were rated according to four intensities listed below along with their priorities. The outcome is summarized as shown below.

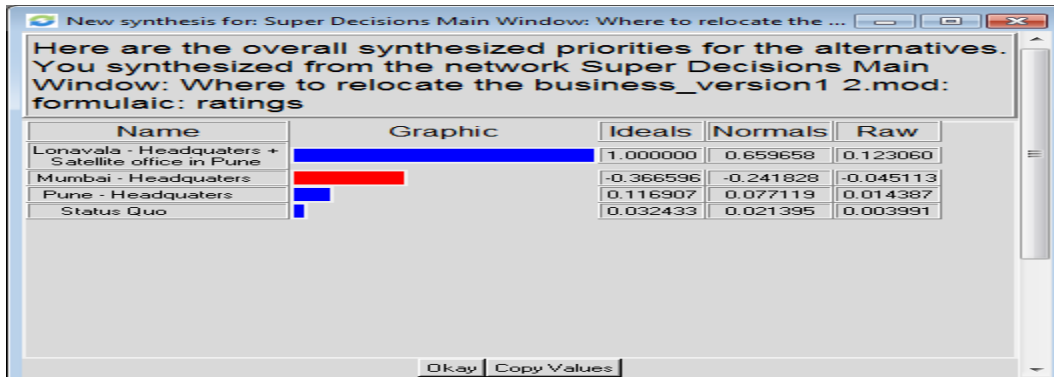


The screenshot shows a software window titled "Ratings for Super Decisions Main Window: Where to relocate the business_version1 2.mo...". The window has a menu bar with "File", "Edit", "View", "Calculations", and "Help". The main title is "Super Decisions Ratings". Below the title is a table with the following data:

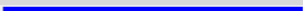



	Availability of skilled 0.181148	Brand Image 0.030882	Competition 0.075701	Finance availability 0.101968	Profitability 0.610301
Benefits	High	High	Low	High	Medium
Costs	Medium	High	Cut throat	Medium	Medium
Opportunities	High	High	High	High	Medium
Risks	Low	Low	High	Medium	High

Figure 10

The Additive model results is as shown below



The screenshot shows a software window titled "New synthesis for: Super Decisions Main Window: Where to relocate the ...". The window contains a text box with the following text: "Here are the overall synthesized priorities for the alternatives. You synthesized from the network Super Decisions Main Window: Where to relocate the business_version1 2.mod: formulaic: ratings". Below the text box is a table with the following data:

Name	Graphic	Ideals	Normals	Raw
Lonavala - Headquarters + Satellite office in Pune		1.000000	0.659658	0.123060
Mumbai - Headquarters		-0.366596	-0.241828	-0.045113
Pune - Headquarters		0.116907	0.077119	0.014387
Status Quo		0.032433	0.021395	0.003991

At the bottom of the window are buttons for "Okay" and "Copy Values".

Figure 11

From this it can be seen that the best possible option is having the headquarters in Lonavala and setting up a satellite office in Pune and setting up base in Mumbai seems to be the least feasible option.

The Multiplicative model is as shown below

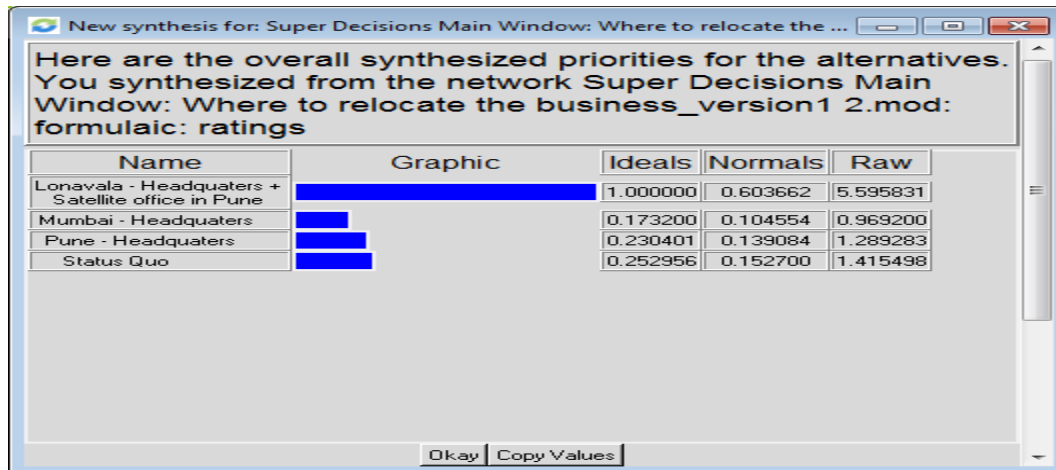


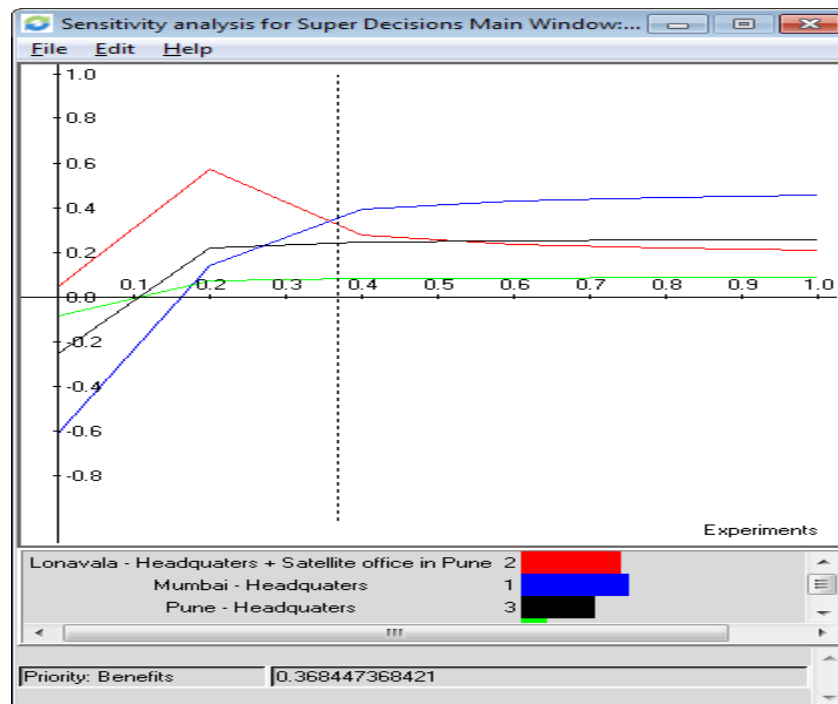
Figure 12

From this again, it can be seen that the best possible option is having the headquarters in Lonavala and setting up a satellite office in Pune and setting up base in Mumbai seems to be the least feasible option.

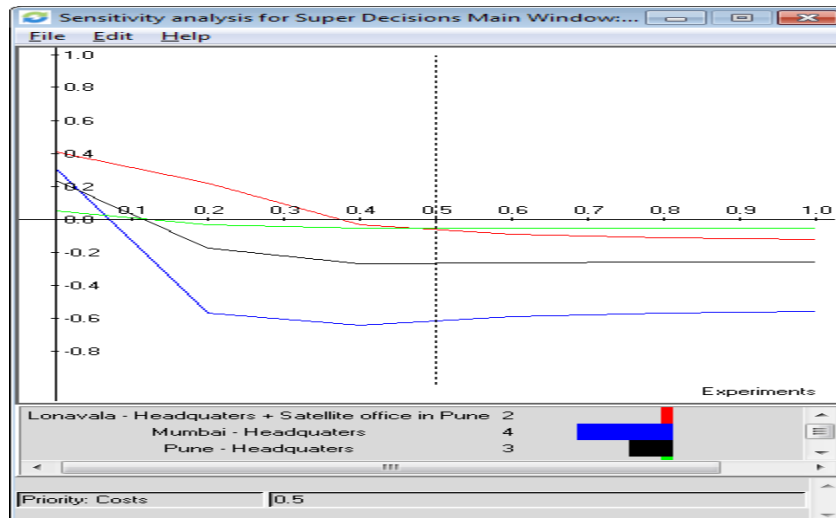
Sensitivity Analysis

From the sensitivity graph we had the following results.

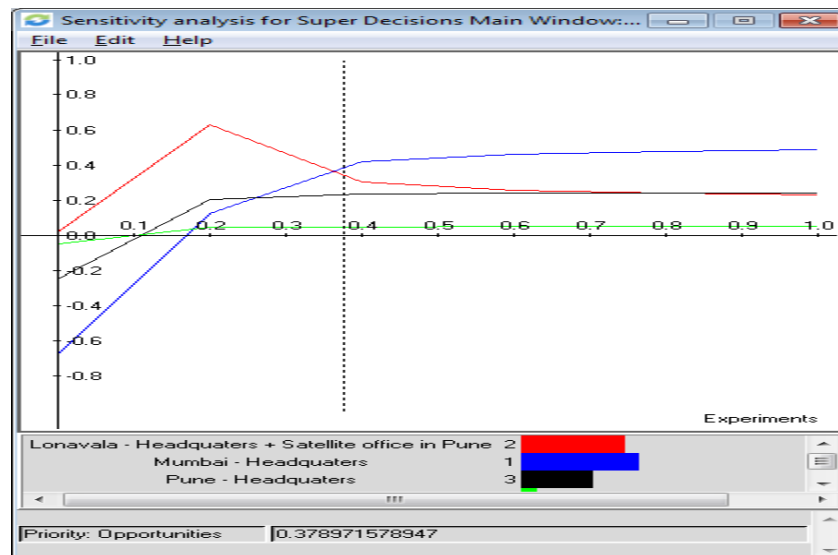
- A change in the Benefit priority(at around 0.3688) will change the preferred alternative from 'Lonavala headquarters and satellite office in Pune' to 'Mumbai Headquarters'



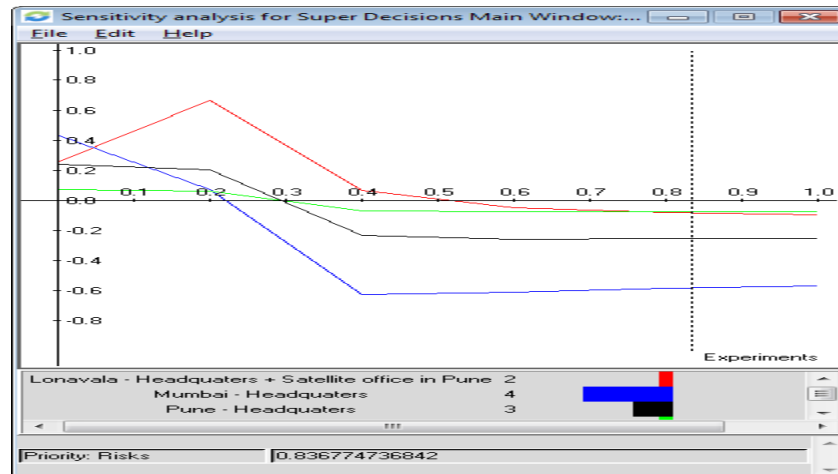
- In the sensitivity analysis for the costs, if costs are not very important it makes sense to have 'Lonavala headquarters and satellite office in Pune'. But as costs start becoming more important the option of status quo becomes more dominant. A change in the costs priority(at around 0.0.5) will change the preferred alternative from 'Lonavala headquarters and satellite office in Pune' to 'Status Quo'



- A change in the Opportunity priority (at around 0.3710) will change the preferred alternative from 'Lonavala headquarters and satellite office in Pune' to 'Mumbai Headquarters'



- A change in the Risks priority (at around 0.0.826) will change the preferred alternative from 'Lonavala headquarters and satellite office in Pune' to 'Mumbai Headquarters'



Conclusion

The model was designed to find the optimal decision for locating the new headquarters for the Lonavala Construction Company (LCC). The criteria we utilized to determine the optimal decisions are Benefits, Costs, and Risks. Each of the criteria above is broken down further into control criteria and detail networks. By incorporating all these factors in the Super Decisions Tools, we realized that in the long term keeping the current headquarters in Lonavala and maintaining a satellite office in Pune is the best option. Being a small company setting up headquarters in Mumbai is not at all lucrative due to the small size of the company. In the short term as well setting up headquarters in Lonavala and maintaining a satellite office in Pune is the best option.