

Wipebook Inc.



Safeguard Solutions

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Executive Summary

To: Owners of *Wipebook*

From: Safeguard Solutions, Consulting Team **Subject:** Distribution Strategies for *Wipebook 2.0*

Date: Monday, November 19th, 2018.

Critical Assumptions:

- In the current state, the business has inadequate means of producing and distributing the entirety of the purchased Wipebooks.
- The business has no contractual agreement delegating leadership to any specific member, only a formal contract stating decisions should be made on a consensual basis.
- One of the founders, Thomas, has relocated, adding an additional barrier to communication.

Problem:

-A wildly successful crowdfunding campaign has rapidly forced Wipebook Inc. into a very large and arduous expansion. Despite the high demand for their product, a myriad of managerial, contractual and structural complications stands in the way of a smooth and successful expansion.

Alternatives:

- Restructure the management layout and identify one leader.
- Create a manufacturing satellite division based out of Montreal headed by Thomas.
- Work with an external corporation to license the production and distribution of Wipebooks.

Facts Considered

1. The product has seen great success based on the second crowdfunding campaign.
2. The three-student team formed a corporation, in which the original delegation of tasks still stands. Frank is the inventor and product developer, Thomas is strategist, in charge of marketing and production, Toby is in charge of obtaining the patents to maintain their competitive advantage
3. All intellectual property relating to Wipebook is in Frank's name, not that of the corporation.

Recommendation:

For the successful future of the company, a leader must be elected amongst the three current founders based on managerial and leadership aptitudes. From there, a deal to outsource the manufacturing, distribution and sales of all Wipebooks is the most logical progression, ensuring all initial pre-orders are fulfilled in a timely manner.

Critical Assumptions:

Fact: A wildly successful crowdfunding has brought in over 10,000 pre-orders, more than \$400,000 and has surpassed their original goal by more than 100 times.

Assumptions Made: The sudden influx of capital and demand has certainly validated the concept of the Wipebook, but in its current state, the corporation does not have the means to carry the product to market and produce this large of a volume of products.

Fact: Due to the nature contractual structure of the organization, there is no identified leader, simply three equal business partners.

Assumptions Made: With a lack of a clear leader, when an impasse occurs in the planning or production phase, which is bound to happen, no one party will call the shots and resolve the conflict at hand, possibly leading to a larger, more problematic issue.

Fact: One of the founders, Thomas, has moved to Montreal to pursue a full time MBA program.

Assumptions Made: The three founders need to operate long distance, and all decisions need to be made unanimously amongst the three of them, adding an extra layer of complication to the management process.

Fact: Frank is the sole proprietor of the intellectual property surrounding Wipebook.

Assumption Made: Generally, all IP of a corporation belongs to the corporation not to one owner; this uneven distribution of intellectual property could lead to future issues of partner instability due to the exploitation of the corporation's work for personal gain.

Problem Analysis:

Primary Problem:

A wildly successful crowdfunding campaign has rapidly forced Wipebook Inc. into a very large and arduous expansion. Despite the high demand for their product, a myriad of managerial, contractual and structural complications stands in the way of a smooth and successful expansion.

Satellite Problems:

Equal Proprietorship:

All three founding members of Wipebook Inc. have an equal share of all profits and losses, but also share all decision-making responsibility, meaning nothing can get passed without a unanimous consensus, which can bottleneck future innovation and slow progress, especially considering one of the three key players is located in a different city.

Production Possibilities:

Wipebook has produced small quantities of their products, but does not have the tooling, manufacturing ability or distribution channels necessary to deliver the high volumes demanded by their crowdfunding campaign.

Unequal Property Distribution:

Due to the terms of the incorporation, all current and future intellectual property of Wipebook belongs Frank, which decreases stability and increases the chances of exploitation

Alternatives:

In its current state, Wipebook does not have the resources or structure to take on an expansion as rapid as the one that has been brought upon them. Listed below are three effective alternatives to the current situation at Wipebook, all of which identify and address key areas to modify and improve upon for a successful amplification of the current business model.

Complete Corporate Restructure:

The goal of the first alternative is to rejig the organizational structure of Wipebook in hopes of moving to a more Mechanistic structure to allow for simpler decision making. This will bring a clearer chain of command, increased span of control and will bring some formality to the workplace (Stephen P. Robbins, 2018).

To start, it is said that as Wipebook changed to a corporation, but there were a few issues with this change. When Wipebook changed to a Corporation two main problems arose: all founders had equal shares in the company, and consensus was needed on all important decisions. Another problem was that all of the intellectual property was all allocated to Frank. With different amounts of time being put into the company there should be a change in who has what number of shares. In order for the decision-making process to be cleaned up there must be elected a single leader of the company. In order for Wipebook to decide on who the leader of the company they will have to look at all of Toby, Frank, and Thomas' contributions to the company. From here, Wipebook will have to see who has done the most for the company,

and who presents themselves as the most viable leader. The Intellectual Property should be transferred from Frank to Wipebook because he alone has not created it, and therefore he should not have sole ownership of the Intellectual property.

Pros	Cons
- The decision-making process is now simpler	- Brings potential internal issues into play with who the company's leader will be
- Intellectual property now in Wipebook's name rather than Frank	- Potential for employee confusion regarding new company structure
- Well defined chain of command	
- Increased span of control	

Overall this alternative would help clean up the decision-making process. With a clear leader of the company there will no longer be stress upon the section making process as there will be one person with the final say, leaving no room for arguments or prolonged decisions. There will be a clearer chain of command as a direct result of one leader being elected as there will be one person to go to for questions rather than three. Furthermore, there will also be an increase in the span of control because there will be a clear idea of what is being asked for due to the direct, unequivocal, orders. Allowing for the intellectual property of the company to be put in Wipebook's name rather than just Frank's allows for everyone to be part owner of the

intellectual property, leaving no one man at an advantage. With these positives in mind there also has to be consideration of what bad can come from this alternative. There can be potential issues regarding who will be elected as Wipebook's leader. There is also potential for employee confusion as the company goes through a restructuring.

Satellite Division:

The second alternative consists of departmentalizing each founder towards their respective specification, leading to an improved quality of communication between the founders, and capitalization of their strengths. This alternative focuses on improving on the productivity of all three founders, by placing each one of them in the job that suits them the best. This will lead to the company becoming more efficient moving forward, as well as establishing clear roles in their task of producing and distributing the large quantity of Wipebooks.

To begin with, it was mentioned that Frank managed a program in a university's engineering department and Thomas was a full-time engineer student and Toby worked in the Canadian intellectual-property office. We can then proceed with "process departmentalization" (Stephen P. Robbins, 2018), which implies assigning roles on the basis of who could best benefit the product. In other words, this means different stages of a product has its own department. The scale of the company is still small, so each founder would take on its own specialized role.

Frank possesses the ability of planning and envisioning the product's future, therefore he would be best suited in a conceptual and forward-looking department. Furthermore, Toby has

the job experience of dealing with intellectual property, therefore he would be the best candidate amongst the three to deal with legal issues with the product. To reinforce on this idea, Toby is 40 years old, he has more life experience than the other two founders, hence he should have a calmer mindset when dealing legal issues. This leads to putting Toby in the legal department.

Finally, we can put Thomas in the production department. Although Thomas is still a full-time student with no job experience, it is still good to put him as the leader of production department. This decision is not only based on the relevancy of the position and Thomas’s engineering abilities, but also the fact that he is studying in Montreal, away from the other two founders. Thomas can put more focus towards establishing a chain of production and managing the production team.

Pros	Cons
Now every founder can focus on what they are best at, in their own department	Brings the question of who the CEO of this organization is, and who shall oversee the department goals and performances.
Newer opportunities found by different departments.	Potential to have conflict of interest between different departments
Less needed communication needed between founders, result a more enjoyable long-distance work relationship.	Over a period of time, company can be fragmented.

After analysing the pros and cons, this alternative would ease the communication problem between founders. Since departmentalization's would help each founder focus on their own sectors, their strengths can flourish, as well as minimizing the need of communication within the founders. Founders can implement meeting arrangements periodically, combining each department's information and pushing Wipebook forward in a more organized fashion. However, this alternative can also lead to newer problems, such as who should be managing all the departments considering all three founders have equal shares, and if different departments will have conflicting interests, such as budgeting, and if over time less communication will result a fragmented/ incomplete relationship between the founders.

Licensing and Outsourcing:

The third and final alternative considered would be to scale back on the responsibilities of the founders and work with a separate company to manage production and sales for an undetermined time period. The motivation behind this alternative solution revolves around allowing the founders to prioritize their time and attention away from the transactional aspects of the business and progress towards handling the conceptual and directional aspects of Wipebook. The objectively high sales are an indication that the product itself is solid and allows room for company growth. Since each of the founders are pursuing their own professional careers in the midst of having to distribute this enormous amount of product, having another company processing sales and guiding production would be beneficial.

As the Wipebook project progresses, the founders should enhance their efficiency and output through application of practical managerial strategies (Stephen P. Robbins, 2018). This

alternative would involve the founders engaging in conceptual planning, while the company handling production and distribution handles the technical functions. Working with the other company would involve licensing the Wipebook brand name and partnering with their operations on the collaborative effort to produce and distribute the already pre-ordered products, in return for lump-sum payment or fee. Many companies in the ecommerce space already handle the entirety of merchandising and transactions through third-party platforms in this manner. With this alternative approach, the founders can focus on simply maintaining a licensing deal indefinitely, bringing royalties to all three founders with little continued time or effort required. Depending on the success of the arrangement Wipebook could continue to work with the separate company as the distributive extension of their main team (Stephen P. Robbins, 2018).

Wipebook's biggest selling point is its simplicity, although that does present many challenges surrounding the marketing of the products as well as where future iterations should progress towards. The founders' vision for the initial product was strong, but they have moved beyond the pitch of the Wipebook, their attention should be towards the future, not caught up in menial transactions.

Pros	Cons
Alleviates less purposeful responsibilities from its founders.	Wipebook was a side project, and more interaction with other businesses complicates operations.
Opportunity for Wipebook to progress past a small-time project.	Potential to engage in a licensed contractual agreement with separate company, when they have had contractual issues in the past.
The Wipebook project gets more efficient.	Working with the separate company will require considerable foresight and conceptual planning.
Distribution of the large amount of product will be handled by a company with the infrastructure, resources, and capability of doing so.	Any decentralization or extension of the company automatically shrinks the domain of control away from the small team of founders.

Overall in regard to this alternative, the pros far outweigh the cons. The primary problem surrounds the distribution of the large amount of product and the managerial and structural complications standing in the way of growth. Not only does this alternative approach provide a solution to the enormous amount of distribution required of the owners, but it allows the team of founders to progress past the lesser issues and focus on the more important directional concerns of the Wipebook project. At the same time, the project becomes more effective and efficient in terms of potential distribution and production moving forward and the business grows past what they were before. As long as the owners are aware of the potential downsides from losing direct control over the distribution and are comfortable in engaging in a contractual licensing agreement for the Wipebook product, this approach stands as a viable alternative.

Recommendation:

Our team at Safeguard Solutions has come to the consensus that a strategic amalgamation of the first and third alternatives will be the most beneficial to all partners of Wipebook Inc. in both the short and long term. The largest, most pressing managerial issue is that of the three equal partners. This equal distribution of power has the potential to lead to impasses in decision making, and stagnation in corporate progress. The election of one clear leader will establish a chain of command, improved span of control and a formalization of the work environment within Wipebook.

The corporate restructuring will solve many of the large issues within Wipebook, such as a lack of direction, consensus needed on all decisions and poor management. By determining a clear leader based on qualifications and contributions thus far, the most suitable leader will be elected and will act as the deciding vote on any and all decisions. As compared to the current situation, this system will bring much more structure to the business, something that is required for all start-ups when expanding from small to large (Stephen P. Robbins, 2018). Another improvement to come from a restructure is the transfer of intellectual property from Frank to the corporation. Having all products of the business belong to the business itself allows all parties to grow and develop as a united front, without the burden or fear that one member may betray or exploit the work of others.

The second portion of the amalgamated strategy involves licensing the rights of the Wipebook out to an external manufacturer and distributor. When the product was created, it was just a small start-up run by three students, but now, their great idea has turned into a much larger-scale endeavour than predicted, and as it stands Wipebook does not have resources to tackle this problem. The outsourcing of this product will allow a much larger company to handle the tooling, manufacturing, packaging, distribution and sales, an extremely large amount of work for such a small team. Outsourcing also guarantees profit for the founders, as there will be a royalty collected on all products sold in the future, and the guarantee products will be delivered to the initial backers, an issue often faced by small start-ups.

Overall, this recommended alternative provides a comprehensive solution to all the problems being faced by Wipebook, and effectively eliminates all the cons brought about by other alternatives. Unlike a satellite division, which had each founder working in their respective domain, this solution allows decisions to be made as a whole for the company and allows progress to come at an increased rate. This solution also allows the three founders to continue on with their passions, while maintaining cashflow for the business. Whether the three founders wish to continue on their own personal endeavours, or develop the next iteration of the Wipebook, a licensing deal allows for this.

Implementation

Immediate

- **Identify and appoint a leader:** A brief internal investigation/analysis of the skills and aptitudes of the three founders will identify one outstanding leader amongst the three. This individual will be chosen based on managerial, human and conceptual skills, as well as investment in the business.
- **Draft a new corporate structure:** After a CEO is chosen, the corporate structure can be contractually updated, and the intellectual property can be transferred from Frank to the corporation.

Short Term

- **Acquire a licensing deal:** The process of finding a company to license, manufacture and distribute Wipebooks will be found. Terms of the new deal will be negotiated and finalized with the production company and plans established for delivering products.

Long Term

- **Production will commence:** With a licensing deal in place, production will begin. The priority will be placed on fulfilling all pre-orders, and after that is complete public sales will begin.
- **Flexible future:** With all matters relating do manufacturing, distribution and sales handled elsewhere, the founders of Wipebook can decide whether they wish to pursue other, separate, ventures or begin the development of a third iteration of the Wipebook.

Works Cited

Stephen P. Robbins, M. C. (2018). *Management, Twelfth Canadian Edition*. Pearson Canada.