

## English Language Questions for CLAT | QB Set 7

Since the late 1970s, manufacturers in the United States have tried to regain market share and enhance competitiveness through cost-cutting programs. Cost-cutting, defined as increasing labour output without increasing labour input, was expected to boost productivity. However, from 1978 to 1982, productivity did not improve, and even during the economic upturn following this period, productivity gains were significantly lower than in previous upturns. Paradoxically, the more companies focused on cost-cutting, the more they seemed to lose their competitive edge. After visiting 25 companies, the author concluded that the cost-cutting approach to productivity is flawed. In manufacturing, competitive advantage follows a "40, 40, 20" rule: 40% of the advantage comes from changes in manufacturing structure (such as facility size and location) and materials, 40% comes from advances in equipment and process technology, and only 20% comes from cost-cutting. While cost-cutting techniques like simplifying jobs and retraining employees can yield short-term results, they quickly reach their limits.

Additionally, the focus on cost-cutting stifles innovation and discourages creative individuals from thriving in manufacturing environments. Studies, like Abernathy's research on the automobile industry, show that an excessive focus on cost-cutting can trap industries in outdated methods, preventing them from innovating and developing new products. Managers, pressured to cut costs, resist fundamental changes in processes, which further hampers innovation. The companies that have overcome this paradox have done so by implementing manufacturing strategies focused on long-term changes in structure, equipment, and technology, rather than relying solely on cost-cutting. One example involves a company that regained its competitive advantage by allowing different factory areas to specialise in different markets, replacing the cost-cutting approach. Successful companies are also encouraging managers to pursue broader objectives beyond just cutting costs. This shift in management philosophy offers hope for revitalising the manufacturing sector.

1. **What does the "40, 40, 20" rule described in the passage refer to?**
  - a) A method for increasing employee productivity through cost-cutting measures.
  - b) The distribution of competitive advantage sources in manufacturing.

- c) A strategy for simplifying jobs and retraining workers.  
d) A formula for balancing short-term and long-term manufacturing goals.
2. **According to the passage, what was the effect of cost-cutting programs in the U.S. manufacturing sector between 1978 and 1982?**
- a) They significantly increased productivity.  
b) They improved the industry's innovation potential.  
c) They failed to improve productivity as expected.  
d) They resulted in technological advancements.
3. **Why does the author argue that cost-cutting stifles innovation in manufacturing?**
- a) It prevents the implementation of changes in equipment and processes.  
b) It forces managers to adopt outdated technologies.  
c) It limits the resources available for innovation.  
d) It discourages creative individuals from flourishing in manufacturing environments.
4. **How did some companies successfully regain their competitive edge, according to the passage?**
- a) By simplifying jobs and retraining employees to increase efficiency.  
b) By focusing on short-term productivity gains through cost-cutting.  
c) By shifting their manufacturing strategies towards long-term structural changes.  
d) By implementing immediate cost-reduction techniques.
5. **Which of the following best summarises the author's main argument in the passage?**
- a) U.S. manufacturers should continue to rely on cost-cutting programs to enhance productivity.  
b) A balanced approach combining cost-cutting with innovation is the key to manufacturing success.  
c) Cost-cutting strategies are not enough to maintain a competitive advantage in manufacturing.  
d) Innovation and cost-cutting should be pursued equally for long-term productivity improvements.

**Answers:**

1. b) The distribution of competitive advantage sources in manufacturing.

2. c) They failed to improve productivity as expected.
3. d) It discourages creative individuals from flourishing in manufacturing environments.
4. c) By shifting their manufacturing strategies towards long-term structural changes.
5. c) Cost-cutting strategies are not enough to maintain a competitive advantage in manufacturing.