

- N.B. : (1) Question No. 1 is compulsory.
(2) Attempt any four from the remaining questions.

Q.1 Case Study

MERGING AMC INTO CHRYSLER

American Motors Corporation might have been a "little guy" by auto industry standards, but with sales of \$3.5 billion, it certainly qualifies as a large organization. When it was bought in August of 1987 by Chrysler Corp., Chrysler chairman Lee Iacocca described the task of merging AMC into Chrysler's operation akin to "swallowing a whale".

Before Japanese firms like Honda and Nissan began producing cars in the United States, AMC regularly held fourth place among the so-called Big Four U.S. automobile manufacturers - behind General Motors, Ford, and Chrysler. AMC had given America cars like the "little Nash Rambler," the Pacer, and the Hornet. But Chrysler wanted AMC predominantly for its highly popular and profitable line of Jeeps and for its new Canadian Manufacturing plant. Never a major money-maker, Chrysler was also intent on making AMC more efficient. Iacocca needed not only to merge AMC into Chrysler, but he wanted to cut its operating costs as he had done at Chrysler when he took over in 1980.

The difficulty of merging AMC into Chrysler would not be easy under the best of circumstances, but it was especially challenging in the summer of 1987. Specifically, automobile and truck sales in the United States fell 7 percent that year and U.S. unit sales of Chrysler's line of cars slid 16 percent. Chrysler's pretax profit margin was down to 8.3 percent from 10.2 percent in 1986. Moreover, Japanese carmakers were boosting output at their newly built U.S. factories and Korean automakers, particularly Hyundai, were rapidly expanding their market share. Meanwhile, AMC was preparing to launch the Premier, the first of its new Eagle line of cars, in the fall of 1987.

During the six months following the August 1987 purchase of AMC, Iacocca made every minute count. For example, to boost Jeep production fast at AMC's well-worn Toledo plant, he got workers to work overtime on Saturdays in return for a promise to keep the factory running through 1992; he shut down AMC's 86-year old Kenosha, Wisconsin, plant, eliminating 5500 jobs and cutting total capacity by 230,000 vehicles; and he began cloning other practices he had used at Chrysler to cut costs, such as reducing steel inventories at stamping plants by 80 percent and eliminating duplications in the production of parts.

[TURN OVER]

QUESTIONS:

[20]

- Q.1a How does the purchase of AMC help Chrysler to manage its environment?
- Q.1b If you had been Iacocca in August 1987, what actions would you have taken to reduce resistance among AMC personnel to changes caused by Chrysler's acquisition?
- Q.1c At the time of Chrysler's purchase of AMC, was Chrysler a growing, stagnant, or declining organization? How about AMC?
- Q.1d Are management efforts to increase efficiency through reductions in staff indicative of an organization in decline? Discuss.
- Q.1e How is the acquisition of AMC likely to change Chrysler's organization structure?
- Q.2 Describe the interrelationship between Strategy & Structure. [10]
What are the different Strategies?
- Q.3 Define technology and illustrate how technology impacts [10]
organizational structure.
- Q.4 Compare and contrast the mechanistic and organic forms of [10]
organization.
- Q.5 How strategic alliances are used to reduce resource dependency. [10]
- Q.6 How do Vision Mission and Core Values contribute to [10]
organizational excellence?
- Q.7 Illustrate with an example how an organization adapts its design [10]
for Change and Innovation.
- Q.8 Write Short Notes on any two of the following: [10]
- a) Principles of Bureaucratic Structure.
 - b) Impact of Size on Organizational Structure.
 - c) Boundaryless Organization.
 - d) Determinants of Organizational Structure.
 - e) Creating Value.