

(3 Hours)

[Total Marks : 60]

organization, Theory, Structure & Design

N.B: Attempt any four from question nos. 1 to 7 (10 marks each)**Question no.8 is compulsory (20 marks)**

1. Detail the determinants of organization structure with specific reference to complexity, formalization & centralization.
2. Define strategy and describe in detail the various types of strategies. Please explain any one model (Chandler, Miles & Snow, and Michael Porter).
3. How do mergers and acquisition affect organization structure in a globalized environment?
4. Enumerate the main factors which impact organizational effectiveness. Examine in detail the role of Goal Setting.
5. Examine Mintzberg's five components of Organization Structure.
6. Organization technology plays an important role in determining the Organization Structure. Please comment.
7. Write short notes on any two
 - Building Learning organization
 - Forms of organizational excellence
 - Transaction cost theory
 - Matrix Structure
8. Please analyze the enclosed case study on 'How Ford Managed its Environment' and answer the questions indicated below.

How Ford Managed Its Environment?

Ford Motor company has a long history of finding innovative ways to manage its environment (its suppliers, customers and so on) in order to control the resources it needs. In its early years, Ford relied heavily on independent suppliers for inputs of engines, gear boxes, and wheels. Ford established a series of contracts with suppliers to provide parts, and all Ford did was bolt the parts together into a finished vehicle. Ford, however, soon had trouble maintaining the quality of the parts. Moreover, the parts made by one supplier tended to be incompatible with the parts made by other suppliers, so Ford spent considerable time making adjustments.

To improve the quality of its auto parts, Ford began to produce them itself. The company took control of some of its suppliers and merged them into the Ford organization, but Ford also started its own supply operations. Ford soon became a highly vertically integrated company – that is, it produced most of its own inputs. To ensure access to resources, for example, Ford iron mines in Northern Michigan and transported iron ore across Lake Superior on its own barges. At its smelting plant outside Detroit, Ford made and then shaped steel into body parts for Ford cars and trucks.

In the 1950s, the vertical strategy became too expensive. Sheet steel and other inputs that Ford made were costing it more than comparable materials purchased from efficient independent suppliers would cost. Consequently, Ford resumed the use of long - term contracts to manage its relationships with suppliers. Ford used its buying power to negotiate favorable prices, and it gained a cost advantage over General Motors, which remained highly vertically integrated.

Prior to 1980s, dealing with competitors posed few problems for Ford. There were no significant overseas competitors and the "Big Three" American car makers –GM, Chrysler & Ford – were able to coordinate their pricing policies informally to avoid competition over customers. GM, the largest and the most powerful company, established the prices that it would charge for different classes of cars; Ford and Chrysler priced their cars accordingly. The three companies competed primarily over quality and features – who had the most chrome or the biggest fins, for example.

In the 1980s, however, the competitive environment facing American car manufacturers became more hostile as Japanese car makers increasingly competed for a share of the ultimate resource; customers. The development of several new techniques for managing resource environment gave the Japanese a strong advantage over their counterparts in U.S. for example, Toyota & Nissan each owned a significant stake of their parts suppliers and thus were better able than the American Big Three to control the price and quality of their inputs and obtain the benefits of just-in-time inventory systems. Kiretsu, as these formal linkages between companies are called in Japan, link Japanese car companies not only to parts suppliers but also to large banks and to companies in other industries. Such linkages increase the financial power of Toyota & Nissan and give them ability to control resources across industries. Also, the

Government of Japan sanctions the use of industry consortia, associations established by competitors to fund joint research into pollution control, advance plastics research, and so forth.

The Japanese companies' efforts to control the environment were not unnoticed the Ford, which moved to establish its own Keiretsu - type arrangement. Ford bought a minority interest in Cummings U.S., which produces engines; in Excel industries, which produces windows; and in Decoma International, which produces body parts and wheels. Ford also forged links with rivals; it owns 25% of Mazda, with which it has established many strategic alliances to share technology and design facilities. It bought Aston Martin Lagonda and Jaguar of Britain, as well as KIA motors of Japan, in order to gain their resources and skills.

In addition to linking up with other car manufacturers and suppliers, Ford owns several business units that handle commercial and consumer credit and that finance dealers' purchases of cars. Ford owns 49% of the Hertz car rental company, which, not surprisingly, uses Ford cars, and Ford has agreements with other rental car companies to use Ford products. Ford also belongs to eight industry consortia, in which it joins with GM, Daimler Chrysler, and other companies to fund joint research on projects such as a \$200 million joint venture to develop more efficient and lighter batteries for electric cars. Clearly, Ford has adopted a sophisticated strategy to respond to the need to control its environment and protect the quality and supply of scarce resources.

Questions:

1. List the various ways in which Ford has attempted to manage its environment over time.
 2. Why did Ford change the methods it used to manage its environment?
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