

Organisational Theories, Structure & Design.

Q.P. Code : 796202

(3 Hours)

[Total Marks : 60

- N.B. : (1) Attempt **any four** questions from Question **No.2 to No.7** (10 marks each).
(2) Question **No.1** is **compulsory** (20 marks).

1. Case Study :

Ikea's Approach to Strategy and Structure Pays Off

IKEA is the largest furniture chain in the world. In 2008, the Swedish company operated over 231 stores in 24 countries. In 2007, IKEA sales had soared to over \$30 billion, or over 20% of the global furniture market, but to its managers and employees this is just the tip of the iceberg. They believe IKEA is poised for massive growth throughout the world in the coming decade because its strategies can satisfy the needs of the average global customer for well-designed and well-made contemporary furniture at an affordable price. IKEA's ability to provide customers with affordable furniture is very much the result of its approach to globalization, to the way it treats its global employees and operates its global store empire. In a nutshell, IKEA's global approach revolves around simplicity, attention to detail, cost consciousness, and responsiveness in every aspect of its operations and behaviour.

IKEA's global approach derives from the personal values and beliefs of its founder, Ingvar Kamprad, about how companies should treat their employees and customers. Kamprad, who is in his late 70s, was born in Sinaland, a poor Swedish province whose citizens are well known for being entrepreneurial, frugal, and hardworking. Kamprad definitely absorbed these values, for when he entered the furniture business; he made them the core of his management approach. He teaches store managers and employees his values; his beliefs about the need to operate in a no-frills, cost conscious way; and his view that they are all in business "together," by which he means that every person who works in his global empire plays an essential role and has an obligation to everyone else.

What does Kamprad's approach mean in practice? It means that all IKEA's members fly coach class on business trips, stay in inexpensive hotels, and keep travelling expenses to a minimum. It also means that IKEA stores operate on the simplest set of rules and procedures possible and that employees are

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expected to cooperate to solve problems and get the job done. Many famous, stories exist about the frugal Kamprad, such as that even he always flies coach class and that when he takes a Coke can from the mini-bar in a hotel room, he replaces it with one bought in a store-despite the fact that he is a multibillionaire ranked in the top 20 on the 'Forbes list of the world's richest people!

IKEA's employee sees what his global approach means as soon as they are recruited to work in a store in one of the many countries in which the company operates. They start learning about IKEA's global corporate culture by performing jobs at the bottom of the ladder, and they are quickly trained to perform all the various jobs involved in store operations. During this process they internalize IKEA's global values and norms, which center on the importance the company attaches to their taking the initiative and responsibility for solving problem and for focusing on the customer. Employees are rotated between departments and sometimes stores, and rapid promotion is possible for those who demonstrate the enthusiasm and togetherness that signifies they have bought into IKEA's, global culture.

Most of IKEA's top managers rose from its ranks, and the company holds "breaking the bureaucracy weeks" in which they are required to work in stores and warehouses for a week each year to make sure they and all employees stay committed to IKEA's global values. No matter which country they operate in, all employees wear informal clothes to work at IKEA-Kamprad has always worn an open-neck shirt-and there are no marks of status such as executive dining rooms or private parking places. Employees believe that if they buy into IKEA's work values, behave in ways that keep its growing global operations streamlined and efficient, and focus on being one step ahead of potential problems, they will share in its success. Promotion, training, above-average pay, a generous store bonus system, and the personal well-being that comes from working in a company where people feel valued are some of the rewards that Kamprad pioneered to build and strengthen IKEA's global approach.

Whenever IKEA enters a new country, it sends its most experienced store managers to establish its global approach in its new stores. When IKEA first

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entered the United States, the attitude of U.S. employees puzzled its managers. Despite their obvious drive to succeed and good education, employees seemed reluctant to take the initiative and assume responsibility. IKEA's managers discovered that their U.S. employees were afraid mistakes would result in the loss of their jobs, so the managers strove to teach employees the "IKEA way." The approach paid off : The United States has become the company's second-best country market, and IKEA plans to open many more U.S. stores, as well as stores around the world, over the next decade.

Questions :

- (1) What kinds of business and corporate strategies does IKEA pursue?
 - (2) How does IKEA designs its structure and culture to pursue these strategies?
2. What is 'Organizational Effectiveness' with relation to **Any Two** of the following Approaches :
- (a) Goal Attainment Approach
 - (b) Strategic constituents Approach
 - (c) Internal Process Approach
3. Explain the fundamentals of Organizational Structure along with advantages and disadvantages of **Any Two** of the following:
- (a) Virtual Structure
 - (b) Boundaryless Structure
 - (c) Horizontal Structure
4. What is Organization Theory? Explain **Any Two** of the following
- (a) Type I Theory (Scientific Management)
 - (b) Current Challenges of Organization Theory
 - (c) Dimensions of Organization Design

5. Explain **Any Two** of the following :
- (a) How does Strategic Intent impact Organization Effectiveness?
 - (b) Porter's contribution
 - (c) Miles and Snow Contribution
6. What is Environment? Explain **Any Two** of the following :
- (a) Lawrence and Lorsch
 - (b) Burns and Stalker
 - (c) Difference between General and Specific Environment
7. Write short notes on **Any Two** of the following :
- (i) Any **One** Organizational decision-making model
 - (ii) Clan Culture or Mission Culture
 - (iii) Pondy' Model
 - (iv) Barriers for change

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