MMS - III (H.R) University Exam.
Organizational Theory Structure & Design

21 : 2nd half.13-Avi(av)

Con. 9039-13. **(FURTHER REVISED COURSE)** **VT-14531**

27.11.2013

(3 Hours) **[Total Marks : 60**

(**N.B.** : Question **1** is **compulsory** (**20** marks) and answer any **four** of the remaining 7 questions (**10** marks **each**)

1. CASE STUDY: Shaking up Exxon (Structure)

Can you teach an elephant to dance? Lawrence G. Rawl, CEO of Exxon, is out to prove that you can. Since taking charge in January 1987, he has made some bold moves to make Exxon, with 140,000 employees and sales in excess of $83 billion a year, a more efficient company.

Rawl joined Exxon in 1952 and moved up through the ranks. But he was not a typical Exxon executive. Whereas Exxon was a conservative company that was obsessed with conciliation and consensus, Rawl built his reputation on thumbing his nose at Exxon's formality and tradition. For example, as a junior member of Exxon's all-powerful Management Committee in the early 1980s, he'd do things like drape his feet over one of the black leather swivel chairs, swear, and make "smart" remarks. It is ironic that his style may have been an important reason why he was selected as Exxon's CEO. His fellow executives and Exxon's board saw him as a man who got things done. Exxon was lagging behind competitors that had successfully cut costs, and Exxon's stock was languishing. Rawl was seen as one of the few candidates with both the experience and willingness to shake up the company.

For years, Exxon had been one of the largest and most prosperous corporations in the world. It hired quality people and gave them comfortable, high-paying jobs in a protected cocoon that oozed arrogance. Consensus was the dominant decision style. Proposals would make their way through a maze of committees and task forces, plus layers of staff. The consensus style, of course, was safe. If a project didn't work out, no single individual or group could be blamed.

Exxon's corporate headquarter's staff had developed into a complex check-arid-balance system for the company's far-flung operations. In New York, highly paid executives examined proposals and decisions from the field, helping to refine them before they came before key corporate committees. But the system only complicated decision making. What resulted was a committee decision process where reams of information would be gathered-far more than anyone could absorb-and where people would come to a meeting of the minds before they ever exposed their positions. No one ever openly questioned proposals; they merely supported them.

In the first 18 months of Rawl's tenure as CEO, Exxon has undergone some major changes. For the most part, they have emphasized disengaging from non-energy and chemical businesses and making Exxon smaller. By the summer of 1988, Exxon was less formal, less certain, and less secure. There were also fewer. people and a lot fewer committee meetings. Between January 1987 and July 1988, employment fell by 30 percent to 100,000. Some 8000 employees left the company. An additional 36,000 were eliminated as businesses were sold off. Nearly 3000 employees were reassigned to other jobs, while some 17,000 saw their jobs redefined. Rawl cleared out several vertical levels in the organization, folded

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together numerous regional subsidiaries, consolidated worldwide operations, and closed up the company's disastrous attempt at office automation.

Rawl is putting all the company's chips on energy and chemicals. He's betting that oil prices will rise enough in the 1990s to make Exxon's extensive oil and gas reserves more economical to produce. While Exxon has abandoned its investment in nuclear and solar energy, Rawl is relying on Exxon's size to allow it to move into those areas should the need arise. Meanwhile, he's still spending up to $25 million a year in lab work on synthetic fuels. In five years, Exxon has succeeded in cutting the cost of producing synthetic fuels from $60 to $30 a barrel. Still, Rawl is the first to acknowledge that Exxon is held hostage to the volatility in oil markets. As one executive put it, "There's not a helluva lot we can do about oil prices. If the price of oil drops $1 a barrel, our earnings go down $250 million."

So far, Rawl's efforts seem to be paying dividends. His tostcutting alone added $375 million to Exxon's net in 1987. His trimmed down work force earns $48,400 per employee in annual profits, more than any other major U.S. corporation. Managers now spend more time running their businesses and less time in meetings. And decisions are now made faster and with less concern about possibly hurting somebody's feelings. The "new" Exxon is tougher and better able to respond to a more competitive world where there's little room for Exxon's former gentlemen managers.

Exxon's current executive group realizes that their careers are increasingly on the line. If they don't produce, Rawl will have no qualms about replacing them with others who will. Rawl concedes that there's one major negative to downsizing. The "bench-strength" in management talent that Exxon previously had is no longer there. Senior management jobs have been cut in half-to 250. With fewer high-level slots and regions to send executives to, Exxon's grooming of future leaders will be more difficult. Some of Rawl's critics, however, think there are other negatives. They argue that he's cut too deep and imposed his changes too autocratically. They point out that morale is now extremely low, with many employees concerned about their future with the company. The restructuring not only broke the social contract that implied that Exxon employees had job security but it has also altered expectations about compensation and promotions. Pay raises now rely substantially on performance rather than merely title and, to stay with the company, some managers accepted jobs that were two or even three levels below their previous positions. Some executives complain that they've had to assume the responsibilities previously held by as many as three or four people.

a) Contrast Exxon's environment in 1968 and 1988

b) How did Rawl carry out his change program.

c) In downsizing Exxon what problems did Rawl face that could have been predicted based on research on declining organizations.

d) According to you what Exxon could have done to manage its environment

2. Explain the 'Competing Values' Approach with reference to any TWO of the following:

   a. What is the 'Competing Values' Approach and its main theme?

   b. A three-dimensional model of organizational effectiveness

   c. Four Models of Effectiveness Values.

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3. Explore the relationship of 'Divisional Structure' configuration of the five Mintzberg's structural configurations with any TWO of the following structural dimensions:
   - a. complexity,
   - b. formalization,
   - c. centralization.

4. Define Strategy and explain any TWO of the following.
   - a. Miles & Snow 2 variable analysis of industries.
   - b. Cost leadership and focused differentiation.
   - c. Planning V/s Evolutionary mode of strategy, as different schools of thought.

5. Based on Woodward's Research explain any TWO of the following structural implications:
   - a. Complexity
   - b. Formalization
   - c. Centralization.

6. Explain any TWO of the following strategies to manage the environment
   - a. Symbiotic strategies
   - b. Competitive (Internal) strategies
   - c. Competitive (External) strategies.

7. What is 'Organization Excellence'? Explain any TWO of the following different Forms of Excellence:
   - a. Competitive
   - b. Creative
   - c. Missionary.

8. Write short Notes on any TWO of the following.
   - a. Power-Control Perspective
   - b. Role of HR in mergers and acquisitions
   - c. Transaction cost theory.

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