7. ORGANISATION AND STRATEGIC LEADERSHIP
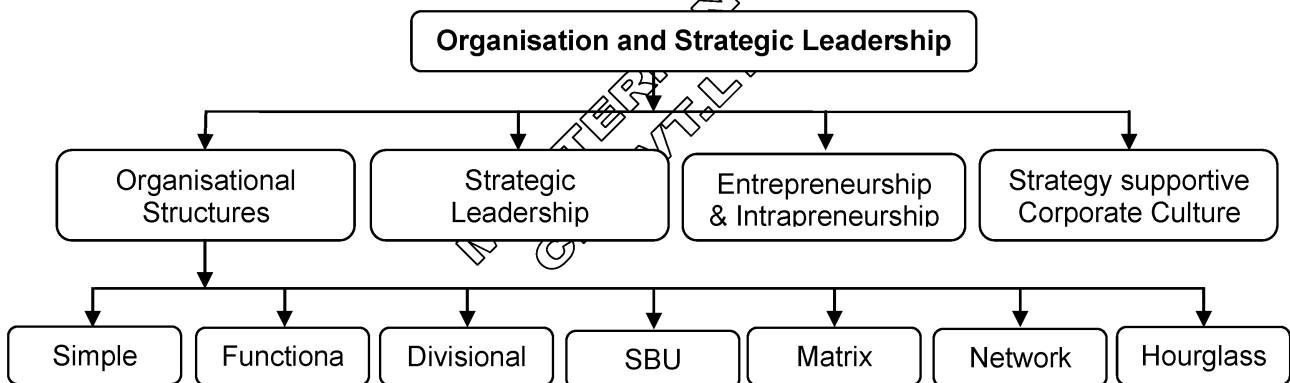
QUESTION - WISE ANALYSIS OF PREVIOUS EXAMINATIONS

Q .No.	M- 15	N- 15	M-16	N-16	M-17	N-17	M-18	N-18	M – 19	N – 19	N – 20
10.	-	-	-	-	-	-	-	-	5	-	-
13.	-	-	-	7	-	-	-	-	-	-	-
25.	-	3	-	-	-	-	-	-	-	-	-

CHAPTER OVERVIEW

SECTION	TOPIC	STARTING PAGE NO.
1.	THEORY FOR CLASSROOM DISCUSSION	7.1
2.	TEST YOUR KNOWLEDGE	7.18

SECTION 1: THEORY FOR CLASSROOM DISCUSSION

ORGANISATIONAL STRUCTURES

DIFFERENT FORMS OF ORGANIZATIONAL STRUCTURE

Centralized Structure	Decentralized Structure
Simple Organisational Structure (Where decisions are taken by owner - manager.) Functional Structure	Divisional Structure Strategic Business Unit (SBU) Structure Matrix Structure Network Structure Hourglass Structure
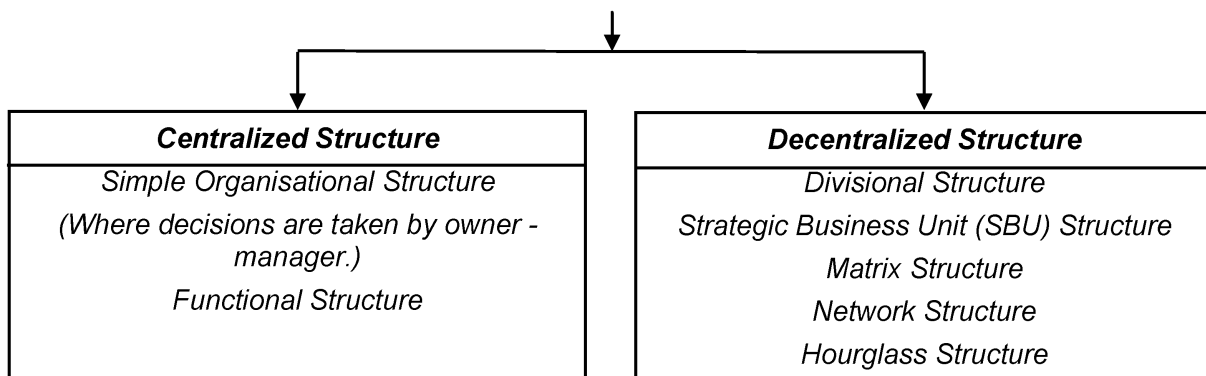
NOTE: In the following questions about organizational structures, students need not cover 'advantages' and 'disadvantages' as majorly they will be asked as short answer questions in the exam. At the maximum they can remember 3 advantages and 2 disadvantages in each one of them.

Q.No.1. Changes in Strategy often require Changes in Structure. Comment.   (B)

1) **CHANGES IN STRATEGY OFTEN REQUIRE CHANGES IN ORGANIZATIONAL STRUCTURE FOR TWO MAJOR REASONS:** First reason is <u>Structure largely dictates how objectives and policies will be established to achieve the strategic objectives</u>. For **e.g.** objectives and policies established under a geographic organizational structure are expressed in geographic terms. Objectives and policies are generally stated in terms of products in an organization whose structure is based on product groups.

Second reason is Structure dictates <u>how resources will be allocated</u>. For example If an organization's structure is based on customer groups, then resources will be allocated by functional areas.

2) Structure should be designed to facilitate strategic pursuit of a firm. Therefore, <u>structure follows strategy</u>. So, changes in strategy lead to changes in organisational structure.

3) A competitive advantage is created when there is a <u>proper match</u> between strategy and structure. If there is no proper match then it leads to rigidity and failure.

<u>NOTE:</u> Without a Strategy or Mission, firms cannot design an effective structure.

<u>SIMILAR QUESTIONS:</u>

1. **Strategy follows structure. (T / F)**   **(N07 - 2M)**
A. **Refer the points 2 & 3 points above**

2. **A management truism says structure follows strategy. However, this truism is often ignored. Too many organizations attempt to carry out a new strategy with an old structure. In this connection, explain the reasons for changing organisational structure according to strategy.**
A. **Same as above.**

Q.No.2. Write short notes on Simple Organisational Structure.   (C)

MEANING: A simple structure is an organisational structure in which the <u>owner-manager</u> makes all major decisions <u>directly</u> and monitors all activities. Staff will merely serve as executors of decisions taken by the owner-manager.

<u>FEATURES / CHARACTERISTICS:</u>

1) Little Specialization of Tasks

2) Few Rules and Little Formalization

3) Unsophisticated Information Systems.

4) <u>Direct involvement of owner-manager</u> in all phases of day-to-day operations.

5) Frequent and Direct Communication.
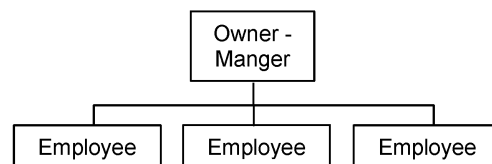
<u>ADVANTAGES:</u>

1) Broad- based openness to innovation

2) Greater structural flexibility,

3) Ability to respond <u>more quickly</u> to environmental changes.

4) Quick decision making as authority is <u>centralized</u>.

<u>DEMERITS / LIMITATIONS:</u>

1) Not suitable when firms grow larger/ bigger.

2) Cannot manage <u>complicated information</u> processing requirements.

3) More pressure on owner-managers (due to lack of skill or experience or time).

<u>SUITABILITY:</u>

1) Appropriate for organisations that follow a single-business strategy and offer a line of products in a single geographic market.

2) Appropriate for companies that follow focused cost-leadership or focused differentiation strategies.

SIMILAR QUESTION:

1. A simple organizational structure may result in competitive advantages for some small companies relative to their larger counterparts. Comment.

A. Refer the above answer.

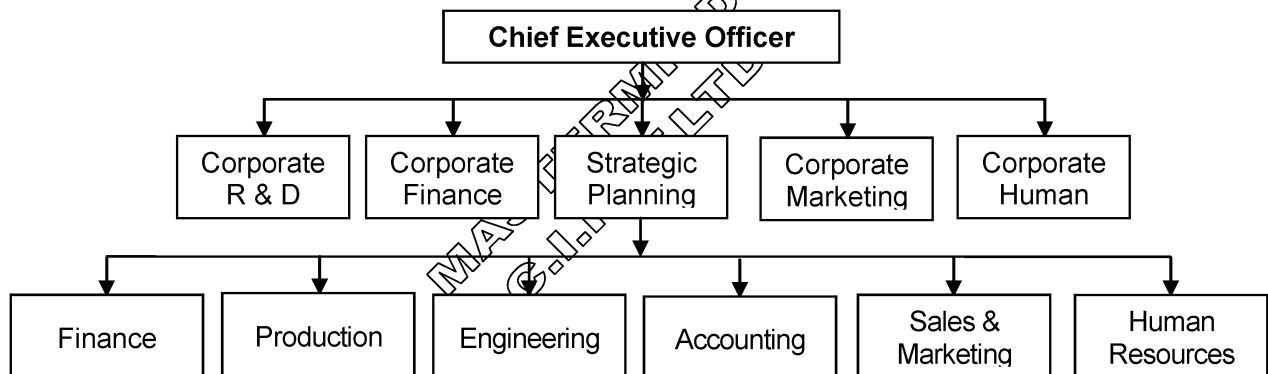**Q.No.3. State the Characteristics of a Functional Structure?** (C)

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1) **MEANING:**

   a) This is a widely used structure in business organisations because of its simplicity and low cost.

   b) Under Functional or centralized organisational structure the entire work to be done is divided into major functional departments.

   c) The Functional Structure consists of:

      i) **Corporate Level:** Chief Executive Officer (CEO) or a Managing Director and other Heads.

      ii) **Functional Level:** Line Managers in major functions like Production, Accounting, Marketing, R&D, Engineering, and Human Resources.

2) **HOW THINGS ARE ORGANIZED IN THIS STRUCTURE?:**

   a) In a Functional Structure, each major function of business is organised as a separate department.

   b) Within the department, the work can be divided into different sections and sub -sections.

   c) Within each sub-section, work can be organised from top to bottom by entrusting each unit of job / task, to lower levels.

3) **COMPETITIVE ADVANTAGES:**

a) Promotes Specialization of Labour. b) Allows Quick Decision - making.	c) Better co-ordination due to specialization and efficiency among various departments. d) Minimises the need for an elaborate control system.

4) **Disadvantages:**

	a) Difference in functional specialization and orientation. It creates problems in communication and co-ordination. b) Specialists may develop narrow perspective, losing sight of the company's strategic vision and mission

SIMILAR QUESTION:

1. A widely used structure in business organisations is functional type because of its simplicity and low cost. Comment.

A. Refer the above answer.

| Q.No.4. Multi Divisional Structure or M-Form Structure	(A) [RTP, MTP-19]

MEANING: The multi-divisional (M-Form) structure consists of operating divisions where each division represents a separate business, to which the top management <u>delegates</u> responsibility for day-to-day operations and business unit strategy to division managers.

DIVISIONS:

1) Each division will represent a separate business and has its own functional hierarchy.

2) Each division manager is responsible for managing day-to-day operations in that division.

3) In this structure, functional activities are performed both centrally and in each separate division.

TOP MANAGEMENT ROLE:

1) Top management (i.e. Corporate Office) is responsible for formulating and implementing overall corporate strategy, and manages the <u>semi-autonomous divisions</u> through strategic & financial controls.

2) <u>Strategic Control</u> means understanding by the top management of the strategies being implemented at various divisions.

3) <u>Financial Control</u> helps top management to manage the cash flows of divisions through Cash Budgets, Profitability Statements, etc.

Beauty & Grooming division   *Health & Well-being division*   *Household care division*
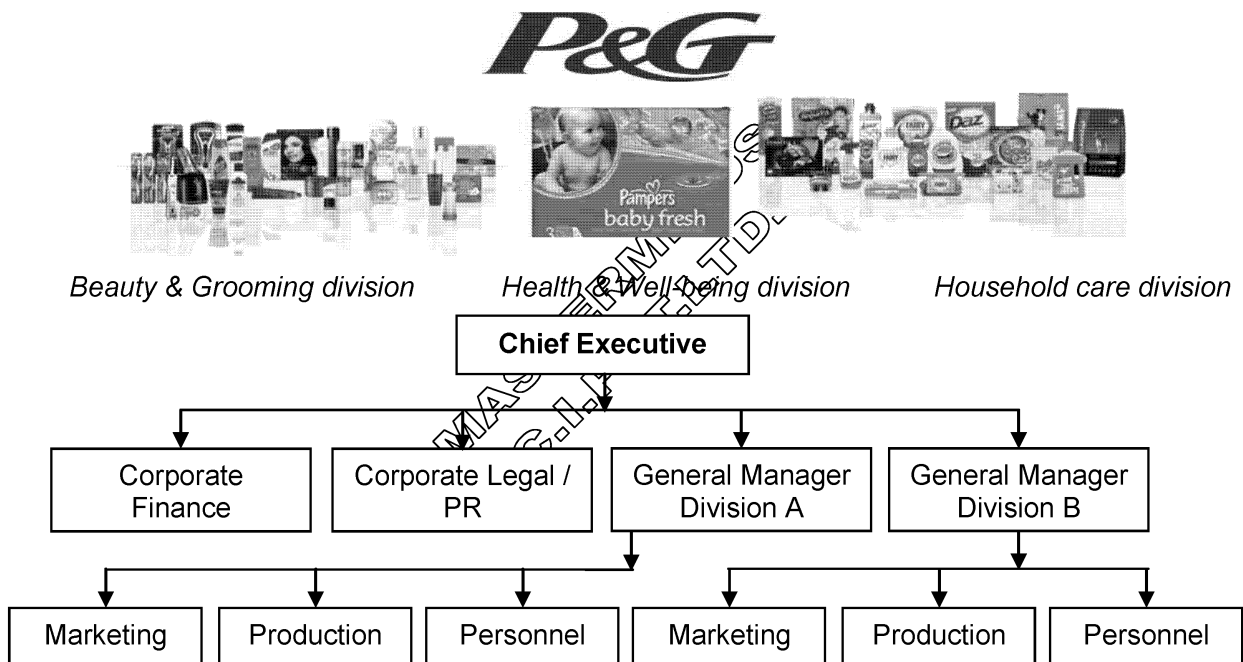
TYPES: Divisional Structure   is mainly of the following types.

1) **Divisional Structure by Geographic area:** It is most appropriate for organizations that have similar branch facilities located in widely dispersed areas.to and allows local participation in decision-making and improved co-ordination in a region

2) **Divisional Structure by Product or Service:** To emphasize on specific products and services which differ substantially E.g. General Motors, DuPont, and Procter & Gamble follow this structure.

3) **Divisional Structure by Customer:** To cater to the needs of specific customer groups. E.g. Airline companies have two major divisions: passenger and freight or cargo services. Banks are often organized in divisions such as personal banking, corporate banking etc.

4) **Divisional Structure by Process:** Each process of the organisation is treated as a separate division.

ADVANTAGES:

1) <u>Promotes accountability</u> since division managers can be held responsible for sales and profits.

2) <u>Employee morale</u> is comparatively higher in a divisional structure than in a centralized structure.

3) Career development opportunities for managers, because it allows people to develop total expertise in a certain product / area / process, etc.

4) Allows better control on local situations.

5) Leads to a competitive climate within the firm, and

6) It is easy to add new businesses and products.

DISADVANTAGES:

1) Each division requires functional specialists who must be paid.

2) Duplication of staff services, facilities, and personnel, since certain activities are performed centrally and also in each division.

3) Requires an elaborate, headquarters' driven control system, which might be costly.

SIMILAR QUESTION:

1. As a firm grows year after year it faces difficulty in managing different products and services in different markets. What is the best structure suited for this situation?

A. Refer the above answer

2. Draw 'Divisional Structure' with the help of a diagram. Also, give advantages and disadvantages of this structure in brief. [N20-5M]

A. Refer above answer.

Q.No.5. Write short notes on SBU Structure. (B) (OLD PM)

MEANING:

1) SBU Structure groups similar divisions into Strategic Business Units and delegates authority and responsibility for each unit to a Head Senior Executive. Head Senior Executive will report directly to the Top Management / CEO.

2) SBU is any part of a business organization which is treated separately for strategic management purposes.

3) **A Strategic Business Unit (SBU) structure consists of following levels of Management:**

   a) Top Level - Corporate Headquarters, CEO and various functional heads.

   b) Second Level - SBU Groups, under the control of the SBU Head.

   c) Third Level - Divisions grouped by relatedness within each SBU.

4) Within each SBU, divisions are related to each other. However, SBU Groups (i.e. 2nd level) are unrelated to each other.
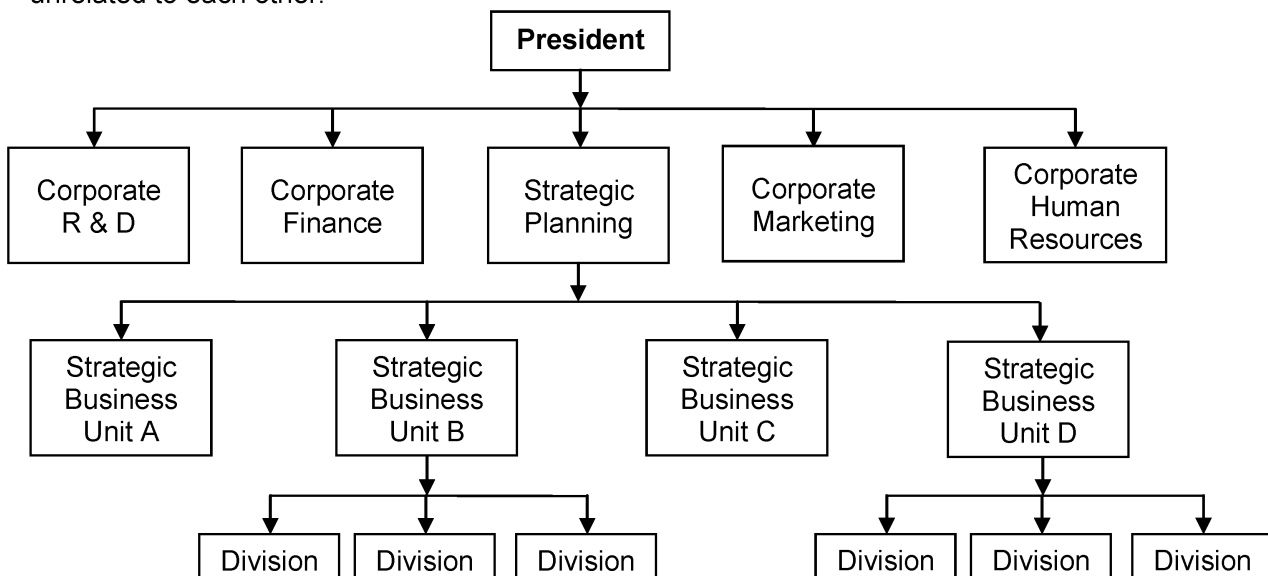
ADVANTAGES:

1) Within each SBU, divisions producing similar products and/or using similar technologies can be organized to achieve synergy benefits.

2) Individual SBUs are treated as profit centres and can react more quickly to environmental changes.

3) Corporate Headquarters can concentrate on strategic planning rather than operational control.

4) Facilitates strategic management and control in large and diverse organizations.

5) It promotes accountability in respect of actions of each SBU.

6) A Company can accurately monitor the performance of individual businesses, simplifying control problems.

7) It facilitates comparison between divisions, improving the allocation of resources. It can be used to stimulate poorly performing division managers and find ways to improve performance.

8) Helps allocate corporate resources to areas with greatest growth opportunities.

DISADVANTAGES:

a) It requires an additional layer of management, which is very costly.

b) May result in inconsistency of goals.

c) Difficult to define the role of different managers.

SIMILAR QUESTION:

1. Write a short note on advantages of SBU Structure.   (OLD PM)

A. Write the meaning and advantages in the above answer.

2. It is impractical for an enterprise with a multitude of businesses to provide separate strategic planning treatment to each one of its products/businesses; it has to necessarily group the products/businesses into a manageable number of strategically related business units and then take them up for strategic planning. The question is: what is the best way of grouping the products/businesses of such large enterprises? In this connection write about SBU Structure.

A. Refer the above answer.

Q.No.6. Matrix Organisational Structure	(B)

## MEANING:

a) Matrix structure is appropriate when organizations conclude that neither functional nor divisional structures are suitable for them.

b) It is a combination of vertical and horizontal flows of authority and communication (hence the term Matrix).
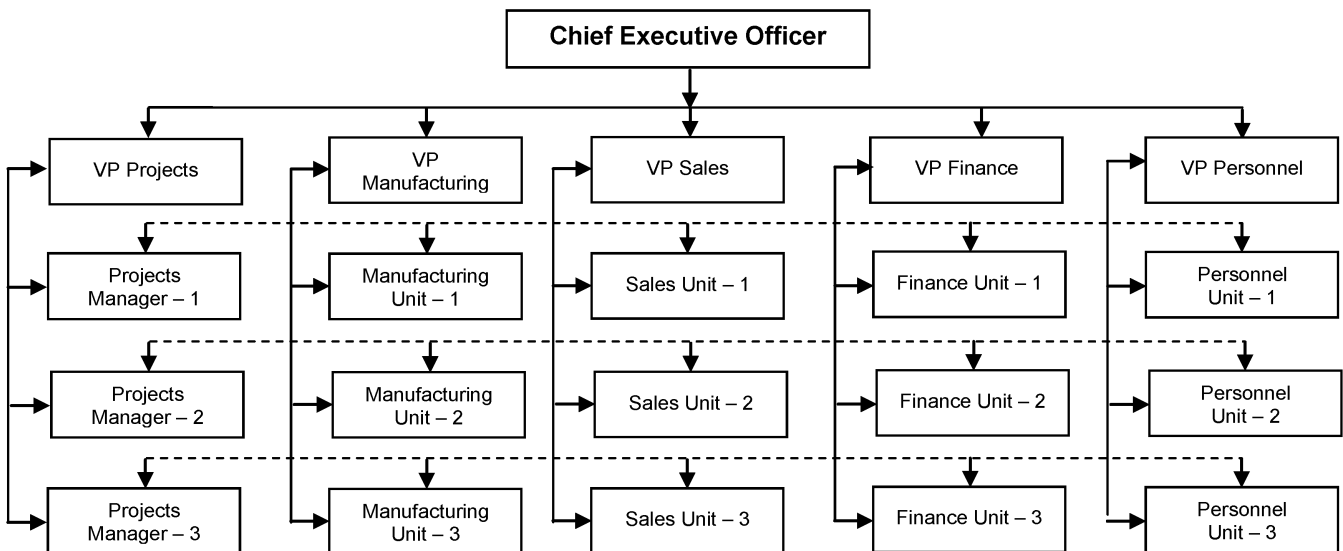
_____ represents Vertical functional authority

-------- represents Horizontal Product/Project authority

c) These employees are assigned to one or more projects or project units that are temporary. They report to the project manager, during the period of completion of the project.

d) Thus, <u>employees have two superiors</u> -

   i) Functional Manager (Vertical Flow) and

   ii) Project or Product Manager (horizontal flow).
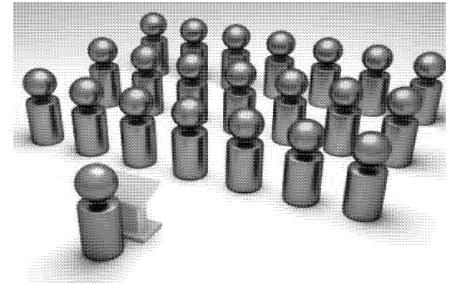
Unity of Command
No one should have more than one boss.

ADVANTAGES:

a) Useful for specialized industries like Construction, Healthcare, Research and Defence.

b) Project objectives will be clear,

c) Several channels of communication. So, employees can see the visible results of their work.

d) Shutting down of a project is relatively easy.

e) Encourages generation of new ideas because of the pooling of diverse talents.

f) Makes efficient use of Specialized personnel, equipment & facilities

DISADVANTAGES:

a) Higher employee costs, due to more management positions.

b) Complexity due to horizontal and vertical flows of authority and communication.

c) Dual lines of authority, <u>violating</u> the principle of "Unity of Command".

d) Dual reporting channels, leading to chaos and confusion.

e) Sharing of authority, leading to <u>conflicts between managers.</u>

f) Conflicts in resource allocation decisions.

g) Delay in decision making.

h) Managers should have efficient interpersonal skills.

SIMILAR QUESTION:

1. **A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix). Explain.**

A. **Refer the above answer.**

Q.No.7. Davis and Lawrence have proposed three distinct phases to develop Matrix structure. Explain. **(B) (RTP N18)**

## FOR DEVELOPMENT OF MATRIX STRUCTURE, DAVIS AND LAWRENCE HAVE PROPOSED THREE DISTINCT PHASES:

1) **Cross-functional task forces**: Temporary cross-functional task forces are initially used when a new product line is being introduced. A project manager is in charge as the key horizontal link.

2) **Product/brand management**: If the cross-functional task forces become more permanent, the project manager becomes a product or brand manager and a second phase begins. In this arrangement, functional structure is still the primary organizational structure, but product or brand managers act as the integrators of semi-permanent products or brands.

3) **Mature matrix**: The third and final phase of matrix development involves a true dual-authority structure. Both the functional and product structures are permanent. All employees are connected to both a vertical functional superior and a horizontal product manager. Functional and product managers have equal authority and must work well together to resolve disagreements over resources and priorities.


Q.No.8. Write Short notes on Network Structure. (A) (OLD PM, RTP M12, M15, N10 - 4M, N12, M13 - 3M)

MEANING:

1) Network structure is a newer and somewhat more <u>radical organizational design</u>.

2) Network structure is an example of what could be treated as non-structure by its <u>virtual elimination</u> of in house business functions. Many activities can be outsourced.

3) Network Organisation is a <u>series of independent firms</u> or business units <u>linked together</u> by computers in an information system that designs, produces, and markets a product or service.

4) It is also called as <u>"virtual organisation"</u>, because it consists of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

5) Instead of having salaried employees, the firm may hire people for a specific project or length of time. Long-term contracts with suppliers and distributors replace vertical integration. In other words, the <u>company majorly depends on outsourcing.</u>

6) The firm's business functions will not be located in a single building or area. Instead, they will be scattered around worldwide

7) As a result the firm is only a shell, with a <u>small headquarters acting as "Broker"</u>. The firm is electronically connected to some fully-owned divisions, partly-owned subsidiaries, and other independent companies.
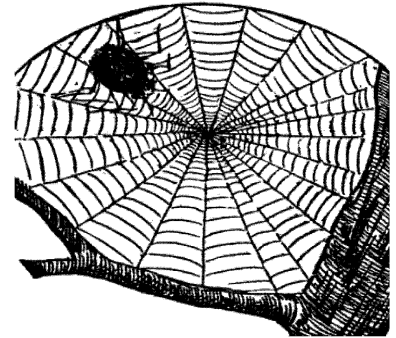
Companies like Airtel use the network structure in their operations function by subcontracting manufacturing to other companies in low-cost
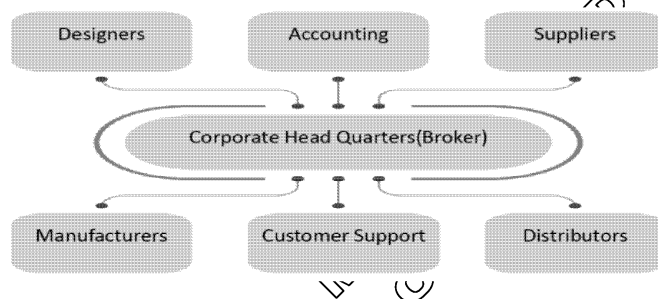
ADVANTAGES:

1) Most useful when the environment of a firm is unstable and is expected to remain so.

2) Innovation and quick response is possible.

3) Increased flexibility and adaptability to cope with <u>rapid technological</u> change and shifting requirements of international trade and competition.

4) Allows a company <u>to concentrate</u> on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.

DISADVANTAGES:

1) Availability of numerous potential partners may lead to <u>loss of control and coordination problems.</u>

2) Several functions are <u>contracted to separate</u> suppliers/distributors. As a result the firm can't discover any <u>synergy benefits</u> by combining different activities.

3) If a particular firm over specializes on only few functions, it may choose wrong function and thus becoming non-competitive.

4) Many workers become deskilled i.e. they cannot perform well in a new structure. This is so because new structures often <u>demand</u> constant innovation and adaptation.

5) Employees may <u>lack the confidence</u> required to participate actively in the organisation-sponsored learning programs.

6) Flatter organisational structures demand for <u>more intense and personal interactions</u> with internal and external stakeholders.

7) New structural arrangements may create <u>stress for many employees.</u>

SIMILAR QUESTIONS:

1. 'A Network structure is suited to unstable environment'. Elaborate.   (OLD PM, N12 - 3M)

A. The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. + write the 'meaning' in the above answer (No need to write advantages & disadvantages.).

2. Discuss Network structure?

A. Refer meaning in above answer.

Q.No.9. Write Short notes on Hourglass Structure?   **(A) (OLD PM, RTPN19,N14) (M16-4M)**

INTRODUCTION: In the recent years information technology and communications have significantly altered the functioning of organizations. The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools.

MEANING:

a) Hourglass Organisation Structure consists of 3 layers or levels with constricted middle level. This structure has short and narrow middle- management level.

b) Information Technology links the top and bottom levels taking away many tasks that are performed by the middle managers.

c) Contrary to traditional middle level managers who are often specialists, the middle level managers in this structure are generalists and perform wide variety of tasks and coordinate diverse activities such as marketing, finance, production, etc. performed by lower level managers.

Wide at the top

Narrow at the middle

Widest at the bottom
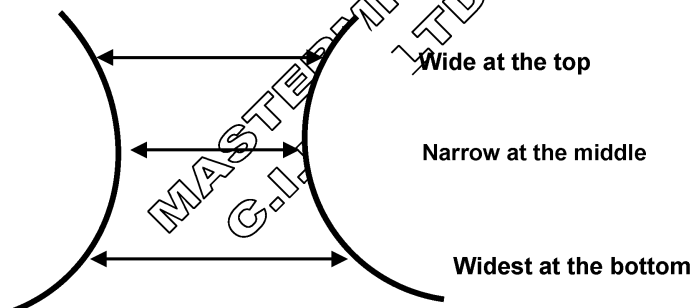
ADVANTAGES:

a) Reduced costs due to narrow middle- management level.

b) Increased responsiveness from lower level employees due to simplification of decision making.

c) Quick Decision Making is possible.

DISADVANTAGES:

a) Low promotional opportunities for lower level employees due to the reduced size of middle management.

b) Continuity at same level (lower level) may bring monotony and lack of interest and becomes difficult keep the motivation levels high.

Organisations can try to overcome these problems by assigning challenging tasks, transferring laterally and having a system of proper rewards for performance.

SIMILAR QUESTION:

1. "The role played by middle management is diminishing as the tasks performed by them are increasingly being replaced by the technological tools". Elucidate the statement in terms of its effect on organization structure.   (RTP M15)

A. Same as above.

STRATEGIC LEADERSHIP

Q.No.10. What are the Leadership Roles to be played by a Strategic Manager?
(A) (OLD PM, RTP N14, M18, M14 - 4M,M19-5M)

A strategy manager has many different leadership roles to play as given below:

Visionary	Crisis Solver	Head Cheerleader
Chief Entrepreneur and Strategist	Spokesperson	Perceptive listener
Chief Administrator	Negotiator	Coach and adviser
Decision-Maker	Motivator	Policy maker
Culture Builder	Arbitrator	Policy enforcer
Resource Acquirer and Allocator	Process Integrator	
Capabilities Builder		

Strategic Managers have five leadership roles to play in pushing for good strategy execution:

1) Staying on the top of what is happening, closely monitoring progress, solving issues and eliminating obstacles in the path of good execution.

2) Promoting a culture of 'esprit de corps' (i.e. team spirit) that mobilizes and energizes organisational members to execute strategy in a competent manner and perform at high level.

> *Strategic leaders are those at the top of the company (in particular, the CEO), but other commonly recognised strategic leaders include members of the board of directors, the top management team, and division general managers.*

3) Keeping the firm responsive to changing conditions, alert for new opportunities, implementing innovative ideas and developing valuable competencies and capabilities, ahead of rivals.

4) Exercising ethical leadership and insisting that the firm conducts its affairs like a model corporate citizen

5) Taking corrective actions to improve strategy execution and overall strategic performance.

SIMILAR QUESTIONS:

1. Discuss the leadership role played by the managers in pushing for good strategy execution.   (OLD PM, M14 - 4M)

A. Refer above answer.

2. Suresh Sinha has been recently appointed as the head of a strategic business unit of a large multiproduct company. Advise Mr. Sinha about the leadership role to be played by him in execution of strategy.   (RTP M18)

A. Refer to Strategic Managers have five leadership roles to play in pushing for good strategy execution section in the above answer

3. Strategic leadership sets the firms direction by developing and communicating vision of future, formulate strategies in the light of internal and external environment, brings about changes required to implement strategies and inspire the staff to contribute to strategy execution. In this connection, write about the roles the leader has to play.

A. Refer above answer.

Q.No.11. Bring out the Role of Leadership in Strategy Implementation.   (C) (M 08 - 3M)

1) Strategic leaders must be able to use the strategic management process effectively by

   a) guiding the company in the formation of strategic intent and strategic mission,

   b) facilitating the development of appropriate strategic actions and

   c) Providing guidance that results in strategic competitiveness and earning above-average returns.

2) Strategic leadership requires the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as and when necessary.
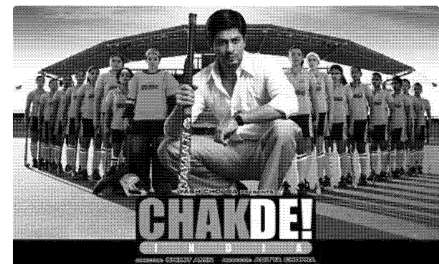
3) **STRATEGIC LEADER CAN GUIDE THE COMPANY BY:**

a) Influencing the behaviour, thoughts and feelings of co-workers,

b) Managing through others,

c) Successfully processing,

d) Dealing with change and uncertainty.

4) Strategic leaders must adapt their assumptions, premises, and accepted wisdom so that they can deal with rapid, complex changes.

Q.No.12. What are the Responsibilities of a Strategic Leader?   (A) (OLD PM, N13-3M, RTP N18)

THE RESPONSIBILITIES OF A STRATEGIC LEADER INCLUDE:

1) Making strategic decisions.

2) Formulating policies and action plans to implement strategic decisions.

3) Ensuring effective communication in the organisation.

4) Managing human capital (perhaps the most critical of the strategic leader's skills).

5) Managing change in the organisation.

6) Creating and sustaining strong corporate culture.

7) Sustaining high performance over time.

The Movie 'Chak De!' was discussed as a case study in many B - schools for

Thus, the strategic leadership skills of a company's manager represent the resources that affect company performance. And these resources must be developed for the company's future benefit.

SIMILAR QUESTIONS:

1. Mr. Aryan is a manger in ABC Ltd. Discuss the leadership roles to be played by him in pushing for good strategy execution.

A. List out the leadership roles presented in table in Q. No.10 + write answer of Q. No.12.

2. Mathew & Sons Ltd. is a diversified business entity having business operations across the globe. Presently, Mr. Mathew is the CEO of Mathew & Sons Ltd. He is going to retire in next 4 months, so he has decided to change the company's leadership and hand over the pedals to his elder son Marshal. Marshal is a highly educated with an engineering degree from USA. However, being very young he is not clear about his role and responsibilities. In your view, what are the responsibilities of Marshal as CEO of Mathew & Sons Ltd?   (MTP1 N18, RTP N18, RTPM20)

A. Marshal, to be an effective strategic leader of Mathew & Sons Ltd. must be able to deal with the diverse and cognitively complex competitive situations that are characteristic of today's competitive landscape. He has several responsibilities, including the following: + write the above answer.

Q.No.13. What is Strategic Leadership? What are the two approaches to Leadership Style?
(A) (OLD PM, RTP N14, N16, M08 - 7M, M13 - 4M)

MEANING OF STRATEGIC LEADERSHIP:

a) It is the ability of influencing others, to voluntary make decisions that enhance prospects for the organisation's long-term success, while maintaining short-term financial stability.

b) **It includes:**

i) Determining the firm's strategic direction,

ii) Aligning the firm's strategy with its culture,

iii) Modeling and communicating high ethical standards, and

iv) Initiating changes in the firm's strategy, when necessary.

c) Strategic leadership <u>sets the firm's direction</u> by developing and communicating a vision of future and inspires organisation members to move in that direction.

d) *Unlike strategic leadership, managerial leadership is generally concerned with the short-term, day-to-day activities.*

APPROACHES TO LEADERSHIP STYLE: Two basic approaches to leadership can be Transformational leadership style and Transactional leadership style.

TRANSFORMATIONAL LEADERSHIP STYLE: (RTP N11, N14)

a) This style of leadership uses Charisma and Enthusiasm to inspire people to exert them for the good of the organisation.

b) This may be appropriate in turbulent environments, in the beginning days of the industries or at the end of their life-cycles, in poorly performing organisations where there is a need to inspire a company to adopt to major changes, etc.

c) They offer excitement, vision, intellectual stimulation and personal satisfaction.

d) They inspire involvement in a mission, giving followers a 'dream' or 'vision' of higher calling so as to elicit more dramatic changes in organisational performance.

e) Such leadership motivates followers to do more dramatic changes in organisational performance and also promote innovation throughout the organization.

TRANSACTIONAL LEADERSHIP STYLE:

a) This style of leadership focuses more on designing systems and controlling the organisation's activities and is more likely to be associated with improving the current situation.

b) This style may be appropriate in settled environment, in growing or mature industries and in organisations that are performing well.

c) This style is better suited in persuading people to work efficiently and run operations smoothly.

d) Transactional leaders try to build on the existing culture and enhance current practices.

e) Transactional leadership style uses the authority of its office to exchange rewards, such as pay and status.

f) They prefer a more formalized approach to motivation, setting clear goals with explicit rewards or penalties for achievement or non-achievement.

SIMILAR QUESTIONS:

1. **Transformational Leadership style may be appropriate in turbulent environment while Transactional Leadership style may be appropriate in settled environment. Comment.**
A. Refer above answer.
2. **What are the different responsibilities of a strategic leader? Distinguish between transformational leadership style and traditional leadership style.**
A. Refer Q.no.12 and Approaches of leader ship styles in above answer.
3. **Distinguish between Transformational Leadership Style and Transactional Leadership Style.**   [N19-5M][RTPN20]
A. Refer Fast Track Material.
4. **Ram and Shyam are two brothers engaged in the business of spices. Both have different approaches to management. Ram prefers the conventional and formal approach in which authority is used for explicit rewards and punishment. While, on the other hand, Shyam believes in democratic participative management approach, involving employees to give their best. Analyse the leadership styles followed by Ram and Shyam.**   (M18- 5M)
A. Refer above answer.
5. **Ritchwick, located in Mumbai, Maharashtra, is owner of a popular brand of ready to eat snack 'Trendy'. Yash, his son after completing Chartered Accountancy started assisting his father in running of business. The approaches followed by father and son in management were very different. While Ritchwick preferred to use authority and having a formal system of defining goals and motivation with explicit rewards and punishments, Yash believed in involving employees and generating enthusiasm to inspire people to deliver in the organization. Discuss the leadership style of Ritchwick and Yash.**   (MTP M18, RTPM19)
A. Ritchwick is a follower of transactional leadership style that focuses on designing systems and controlling the organization's activities. + write the meaning of Transactional Leadership as given above.

   On the other hand, Yash is follower of transformational leadership style. + write the meaning of Transformational Leadership as given above.
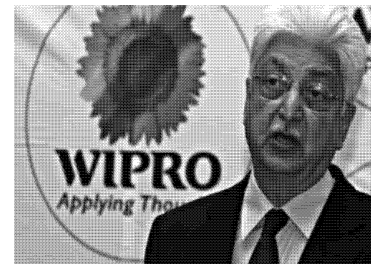
CORPORATE CULTURE

Q.No.14. What do you mean by Corporate Culture?   (A) (PM, RTP- M11, M12, M14, N11 - 3M)

1) **MEANING:**

   a) The phenomenon which often <u>distinguishes good organizations from bad ones</u> could be summed up as 'corporate culture'.

   b) Every corporation has a culture that exerts powerful influences on the behaviour of managers. Culture affects not only the way managers behave within an organization but also the decisions they make about the organization's *relationships with its environment and its strategy.*

   c) An organisation has <u>its own embedded patterns</u> of how to do things, its own beliefs, behaviour and thought patterns, and practices that define its **corporate culture.**

   d) Corporate culture refers to company's values, beliefs, business philosophy and principles, traditions, work climate, ways of operating and approaching problems and internal work environment.

2) **WHERE DOES CORPORATE CULTURE COME FROM?** An organisation's corporate culture <u>comes from the complex sociological forces operating</u> within the company. It is reflected from:

   a) Values and business principles that management speaks and practices,

   b) Ethical standards and official policies,

   c) Dealing with employees, unions, stockholders, vendors and the communities in which firm operates, traditions that an organization maintains,

   d) Supervisory practices,

   e) Employees attitude and behavior,

   f) Peer pressures, organization's politics, "chemistry" and the "vibrations" that exist in the work environment.

Corporate Culture at Wipro
Every day at Wipro is challenging and thought - provoking. What is tested is employees' drive, enthusiasm and initiative. New ideas are appreciated and innovation is encouraged.

SIMILAR QUESTION:

1. What is Corporate Culture?   [MTPN20]

A. Refer 1ˢᵗ point in the above answer.

Q.No.15. Is Culture an Obstacle or Ally in Strategy Execution?   (A) (RTP M12, N08 - 2M, M11 - 3M)

1) An organization's culture is <u>either an important contributor or an obstacle</u> to successful strategy execution.

2) The beliefs, vision, objectives, and business approaches and practices underpinning a company's strategy may be compatible with its culture or they may not.

3) If there is compatibility then culture becomes a valuable ally in strategy implementation.

4) It there is a conflict between culture and company's direction, performance targets or strategy then culture becomes a hurdle in the successful implementation and execution of the strategy.

SIMILAR QUESTION:

1. An organization's culture is always an obstacle to successful strategy implementation. (T/F)

A. False, Same as above.

Q.No.16. How culture promotes better strategy execution? (A) (OLD PM, RTP N11, N11 - 3M, M12 - 4M)

When there is a fit, strong culture will promote good strategy execution. It will hurt the execution when there is a negligible fit.

1) A culture grounded in <u>values, practices</u> and <u>behavioral norms</u> will <u>energize</u> people throughout the company, to do their jobs in a <u>strategy supportive</u> manner. It significantly increases the power and <u>effectiveness</u> of strategy execution.

2) A culture with <u>creativity, embracing change</u> and <u>challenging</u> the status quo is conducive for successful execution of product innovation and technological leadership strategy.

3) A culture with business principles like <u>listening</u> to customers, <u>encouraging</u> employees to take pride in their work and giving employees a degree of decision making responsibility promotes strategy of superior customer service.

4) A strong strategy-supportive culture <u>nurtures and motivates people</u> to do their jobs in ways conducive to effective strategy execution it promotes strong employee identification with the company's vision, performance targets and strategy. All this makes employees feel genuinely better about their job and work environment and the merits of what the company is trying to achieve.

<u>CONCLUSION:</u> Thus, a 'good f

it' between culture and strategy will stimulate the employees to accept the challenge of realizing the company's vision, do their jobs competently and with enthusiasm, and collaborate with others, to effectively implement the strategy.

<u>SIMILAR QUESTIONS:</u>

1. Explain briefly the role of culture in promoting better strategy execution.   (M12 - 4M)
A. Same as above
2. Briefly describe the impact of corporate culture on an organization.   (OLD PM, M14 - 3M)
A. Write the meaning of corporate culture given in Q. No.14 + 1st, Q. No.15 and 1st point of Q. No. 16.
3. Write a short note on importance of corporate culture.   (OLD PM, RTP N18)
A. Same as above.
4. Jupiter Electronics Ltd. is known for its ability to come out with path-breaking products. Though the work environment at Jupiter is relaxed and casual, yet, there is a very strong commitment to deadlines. The employees believe in "work hard play hard" ethic. The organisation has moved away from formal and hierarchical set up to a more results-driven approach. Employees are committed to strategies and work towards achieving them. They guard innovations, maintain confidentiality and secrecy in their working. They are closely related to values, practices, and norms of organisations. What aspects of an organisation that are being discussed? Explain.   [RTP N19]
A. The scenario being referred to is culture in Jupiter Electronics. Write the above answer.

Q.No.17. Outline the Process of Changing a Problem Culture.   (A) (OLD PM, N14 - 3M)

Changing a company's culture to align with its strategy is one of the toughest tasks of management. It is easier to talk about than do. *Changing a problem culture is very difficult because of the heavy anchor of deeply held values and habits which people attach emotionally to old and familiar.*

INTENSIVE MANAGEMENT ACTION IS REQUIRED OVER A PERIOD OF TIME:

1) To replace an unhealthy culture with a healthy culture or

2) To root out certain unwanted cultural obstacles and introduce new ones that are more strategy-supportive.

STEPS IN THIS PROCESS:

1) Diagnose which areas of the present culture are strategy supportive and which are not.

2) Talk openly and forthrightly with the concerned persons about the aspects of the culture that need to be changed.

3) Follow-up with visible, aggressive actions to modify the culture.

After Louie Gerstner arrived at IBM in 1993, over 100,000 employees were laid-off from a company that had maintained a culture of lifetime employment practice from its inception.

4) Revising policies and procedures in such a way that it will help to drive cultural change.

5) Make changes in incentive system so as to reward the desired cultural behaviour.

6) Visibly praise and recognize people who display the new cultural traits.

7) Recruit and hire new managers and employees who have the desired cultural values and can serve as role models to others. Replace the key executives who are strongly associated with the old culture.

8) Communicate the basis of cultural change to employees and its benefits to all concerned.

9) Get the support of first line supervisors and employee union leaders.

**CONCLUSION:** The task of making culture supportive strategy is not a short-term exercise. It takes time for a new culture to emerge and prevail. The bigger the organization and the greater the culture shift needed to produce a culture-strategy fit, the longer it takes. In large companies, changing the corporate culture in significant ways can take two to five years.

SIMILAR QUESTIONS:

1. What steps would you suggest to change a company's problem culture?

A. Refer steps in above question.

2. It takes concerted management action over a period of time to replace an unhealthy culture with a healthy culture or to root out certain unwanted cultural obstacles and instil ones that are more strategy supportive. Comment.

A. Same as above.

ENTREPRENEURSHIP & INTRAPRENEURSHIP

| Q.No.18. Concepts of Entrepreneurship and Intrapreneurship. (A) (RTP M18) |
|---|

MEANING OF ENTREPRENEURSHIP:

1) Entrepreneurship is an attitude of mind to seek opportunities, take calculated risk and drive benefits by starting and running a venture.

2) It comprises of numerous activities involved in the conception, creation and running an enterprise.

MEANING OF ENTREPRENEUR: An entrepreneur is a person who searched for business opportunity and starts a new enterprise to make use of that opportunity. An entrepreneur is one who:

1) Initiates and innovates a new concept.

2) Recognises and utilises opportunity.

3) Arranges and coordinates resources such as man, material, machine and capital.

4) Faces risks and uncertainties.

5) Establishes a start-up company.

6) Adds value to the product or service.

7) Takes decisions to make the product or service a profitable one.

8) Is responsible for the profits or losses of the company.

Meaning of Intrapreneurs:

a) An Intrapreneurs is nothing but an entrepreneur who <u>operates within the boundaries of an organisation</u>. He is an employee of a large organisation, who is vested with authority of initiating creativity and innovation in the company's products, services and projects, redesigning the processes, workflows and systems.

b) The Intrapreneurs <u>believe in change</u> and do not fear failure. They discover new ideas, look for such opportunities that can benefit the whole organisation and take risks, promote innovation to improve the performance and profitability of the organisation.
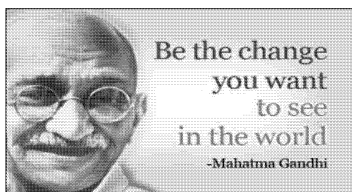
c) <u>Their job is extremely challenging</u>. They get recognition and reward for the success achieved by them. It has now become a trend that large corporations appoint intrapreneur within the organisation, to bring operational excellence and gain competitive edge in the market.

SIMILAR QUESTIONS:

1. Define Entrepreneur. What are the characteristics of an entrepreneur? (RTP M18)

A. Refer 2nd sub- heading in the above answer.

2. Write short notes on Entrepreneur. (MTP1 N18)

A. Refer the meaning of Entrepreneur in the above answer.

APPLICATION ORIENTED QUESTIONS

Q.No.19. Delta is an organization specializing in Information Technology enables Services (ITeS) and Communications business. Previous year the organization had successfully integrated an Artificial Intelligence (AI) tool named 'Zeus' into the existing ERP system. The AI tool using Deep Learning technique provided a digital leap transformation in various business processes and operations. It has significantly diminished the role played by specialist managers of the middle management. This technological tool in addition to saving organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in faster decision making. The skewed middle level managers now perform cross-functional duties. Which type of organisational structure is the company transitioning into?　　[RTPN20]

1) The company Delta is transitioning into the Hourglass organization structure because it has used technological tools to transform various business processes and operations and has significantly diminished the role played by specialist managers of the middle management.

2) The technological tool in addition to savings organisational costs by replacing many tasks of the middle management has also served as a link between top and bottom levels in the organization and assists in faster decision making.

3) The skewed middle level managers now perform cross-functional duties. All these factors indicate towards Hourglass organization structure.

Q.No.20. What is a strategic business unit? What are its advantages?　　[MTP J20] [RTP M20]

1) A strategic business unit (SBU) is any part of a business organization which is treated separately for strategic management purposes.

2) The concept of SBU is helpful in creating an SBU organizational structure.

3) It is discrete element of the business serving product markets with readily identifiable competitors and for which strategic planning can be concluded.

4) It is created by adding another level of management in a divisional structure after the divisions have been grouped under a divisional top management authority based on the common strategic interests.

Advantages of SBU are:

1) Establishing coordination between divisions having common strategic interests.

2) Facilitates strategic management and control on large and diverse organizations.

3) Fixes accountabilities at the level of distinct business units.

4) Allows strategic planning to be done at the most relevant level within the total enterprise.

5) Makes the task of strategic review by top executives more objective and more effective.

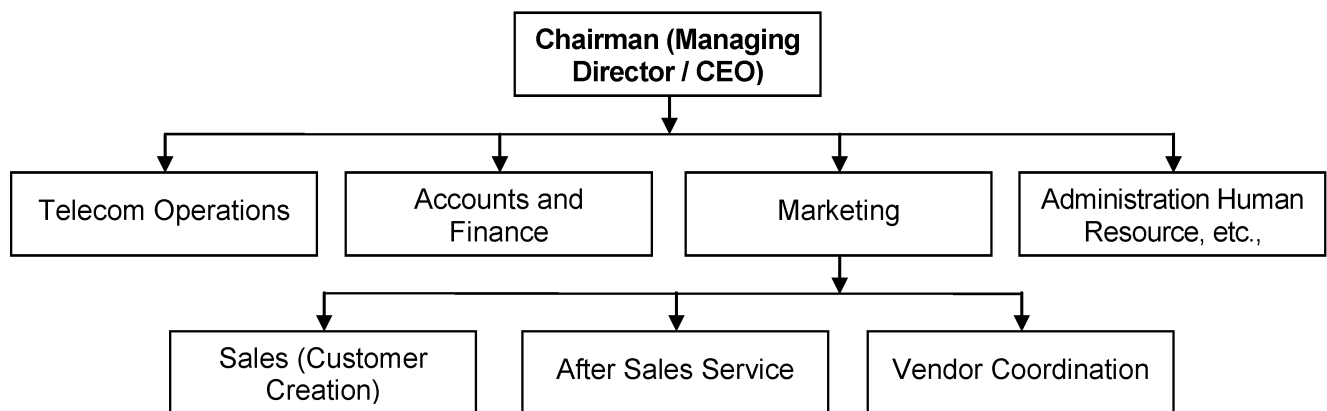6) Helps allocate corporate resources to areas with greatest growth opportunities.

Q.No.21. Always Fit is a company that operates in pharmacy store chains. Its stores are specialized in providing prescribed medicines, health and wellness products etc. in the country. The store chain is having surplus space which can be utilized for other purposes. Azad, a senior executive of the research and development wing in the company conceives an idea to manufacture and sell the cosmetic products for utilizing the surplus space available in the pharmacy stores. Identify and explain the role of Azad in company.　　(MTP M18)

1) Azad plays role as an intrapreneur who operates within the boundaries of an organisation.

2) He is an employee of Always Fit, who is vested with authority of initiating creativity and innovation in the company's products, services and projects, redesigning the processes, workflows and systems.

3) Azad believes in change and do not fear failure.

4) He discovers a new idea which can benefit the whole organisation by utilizing the surplus space in the stores. The job of Azad is extremely challenging.

5) He gets recognition and reward for the success achieved.

Q.No.22. Manoj started his telecom business in 2010. Over next five years, he gradually hired fifty people for various activities such as to keep his accounts, administration, sell his products in the market, create more customers, provide after sales service, coordinate with vendors. Draw the organization structure Manoj should implement in his organization and name it. (N18-5M)

Manoj has started a telecom business. Accounts, Administration, Marketing (customer creation, after sales service, vendor coordination) are the functional areas that are desired in the organisational structure. Further there is inherent need to have a department for the management of telecom services/ operations. Thus, the functional structure in the telecom business of Manoj can be as follows:

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                    Chairman (Managing
                    Director / CEO)
     ┌───────────────┬──────────────┬─────────────────┐
Telecom Operations  Accounts and   Marketing    Administration Human
                    Finance                     Resource, etc.,
                             ┌──────────┬──────────┐
                      Sales (Customer  After Sales  Vendor Coordination
                         Creation)      Service
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Q.No.23. How a Corporate culture can be both strength and weakness of an organization?
(A) (OLD PM, RTP M15, M16, N16, N18- 5M, MTP M19,N19,N20)

MEANING: As given above.

"Culture is a strength that can also be a weakness". This statement can be explained by splitting it in to two parts.

AS A STRENGTH: Culture can facilitate communication, decision making and control and instill cooperation and commitment. An organization's culture could be strong and cohesive when it conducts its business according to clear and explicit set of principles and values.

AS A WEAKNESS: Culture, as a weakness can obstruct the smooth implementation of strategy by creating resistance to change. An organization's culture could be characterised as weak when many sub-cultures exists, few values and behavioural norms are shared and traditions are rare. In such organizations, employees do not have a sense of commitment, loyalty and sense of identity.

SIMILAR QUESTIONS:

1. Define corporate culture. Also elucidate the statement "Culture is a strength that can also be a weakness".

A. Same as above.

Q.No.24. 'A network structure is suited to unstable environment'. Elaborate. (B) (OLD PM)

1) Network structure is a newer and somewhat more radical organizational design.

2) The network structure could be termed a "non-structure" as it virtually eliminates in-house business functions and outsource many of them.

3) An organisation organized in this manner is often called a virtual organization because it is composed of a series of project groups or collaborations linked by constantly changing non-hierarchical, cobweb-like networks.

4) The network structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for <u>innovation and quick response</u>.

5) Instead of having salaried employees, it may contract with people for a specific project or length of time.

6) Long-term contracts with suppliers and distributors replace services that the company could provide for itself.

Q.No.25. 'To coordinate more complex organizational functions, companies should abandon the simple structure in favour of the functional structure'. Discuss.   **(B) (OLD PM, N15 - 3M)**

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1) <u>**Simple Organisational Structure:**</u> Generally Simple organizational structure is more appropriate in small organisations that follow single business strategy and offer a line of products in a single geographic market. A typical simple organization structure is often owner driven with small number of employees.

2) <u>**Need to switch from Simple to Functional Structure:**</u> When a small organisation grows, its **difficulties** also grow which necessitates the companies to abandon the simple organisation structure and move towards functional organisational structure.

3) <u>**Functional Structure:**</u> Refer its meaning as given above.

4) <u>**Advantages of Functional Structure:**</u> Refer above.

<u>**CONCLUSION:**</u> As the time passes and organisation grows, much more complex organisation structures exist in business world. However, functional form of organisation structure is invariably found at some level or the other.

SECTION 2: TEST YOUR KNOWLEDGE

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1) Differentiate between a centralized and decentralized organisation structure?

2) Are functional managers in a functional organisation structure accountable for profits? Explain.

3) What is the difference between simple organisation structure and functional organisational structure?

4) Does the size of a firm play any role in deciding upon the type of organisation structure to be adopted? Explain.

5) Imagine you want to start a business soon after completion of your CA. What will you do in the first place; designing the organisational structure or designing the strategy? Explain

6) Why divisions are called 'Semi-Autonomous in divisional organisation structure?

7) List out the Companies that are following SBU organisation structure?

8) Differentiate between 'Authority' & 'Responsibility'?

9) List out the various Companies that are following network organisation structure?

10) What steps did Louie Gerstner take to change the old culture at IBM in the process of turning around the company?

THE END