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MS-25

01317

MANAGEMENT PROGRAMME

Term-End Examination

June, 2013

MS-25 : MANAGING CHANGE IN ORGANISATIONS

Time : 3 hours | *Maximum Marks : 100* *(Weightage 70%)*

Note : (i) *This paper consists of* ***two*** *Sections, A and B.*

(ii) *Answer* ***any three*** *questions from* ***Section - A****, each carrying* **20** *marks.*

(iii) ***Section - B*** *is* ***compulsory*** *and carries* **40** *marks.*

SECTION - A

1. Bring out the differences between Transactional and Transformational Leadership and explain how a leader plays an important role to bring change in an organisation

2. Briefly discuss the need for indigenous Management and the complexity of Management of change through indegenization.

3. Describe any two models of diagnosis of organisational change.

4. Describe Total Quality Management (TQM). How it could be used as an approach to bring change in an organisation.

5. Write short notes on ***any three*** of the following :

   (a) Down Sizing

   (b) Managing Resistance

   (c) Action Research

   (d) Type of change

   (e) Cluster organisation

SECTION - B

6. Read the following case carefully and answer the questions given at the end :

The story of the restructuring of the Mahut Group (name disguised) in India is illustrative of the need for supporting any structure change with the relevant culture change. The Mahut Group, a family-owned business located in western India, is a US$350 million multinational, multi-activity enterprise group operating in four continents, with a diversified portfolio and employee strength of 15000.

The group has two cement plants-the US$51 million Heera Cement and the US$39 million Moti Cement (names disguised) - each with a production capacity of 1.2 million tonnes of cement per annum. The plants use 'dry process precalcination technology, which conforms to international standards. Both plants had been operating at more than 100 percent capacity and were among the most cost-effective cement plants in India, but had been making losses since the deregulation of the cement industry in India in the late 1980s. Prior to deregulation, the cement companies operated under governmental capacity, production, distribution and price controls to ensure fair prices and availability to priority sectors and small users. Because capacity was controlled, there were severe shortages and obviously no competition, and all cement companies were making good money despite price control.

Deregulation led to huge increases in the capacity of the cement industry in India, which also included foreign players. Heera and Moti now found themselves in competition not only with other companies but with each other. The competition between the sister companies was particularly damaging because their executives had private knowledge of each other's strategies. Mahut Group's management realised the problem and wanted to develop synergies rather than competition between the two companies. In order to facilitate this change, Mahut appointed an American consultant in 1998 to study the problem and submit a report.

The consultant found that the solution lay in structurally integrating the marketing functions of the two plants, and recommended: merging their sales and marketing; creating a new division called 'brands' to promote, position and build the brands together; creating two new positions, director-technical services, director-market research; changing the structure to support the new arrangements, especially by creating new roles and redefining old ones; and redeploying redundant people rather than retrenching them.

Mahut Group decided to implement the recommendations. Although the implementation process was fraught with intense politicking, especially for the top positions in the restructured company, the company culture was such that this phenomenon was not perceived an unusual. It was natural for the owners to give the coveted positions and perquisites to those who were close to them. In the restructured company the managing director was appointed from Moti; senior joint president-sales (in change of sales in the state where the company was located) was appointed from Moti, superseding a more senior executive from Heera; senior joint president-marketing (in charge of sales outside the state, where volumes were extremely low) was appointed from Heera; general manager (brands) was appointed from Heera.

Commenting on the cultural practices and processes that came in the way of performance, employees pointed out several issues. Decisions in the organisation were highly centralised. Almost all decisions were made by the managing director, because of which they were a lot of delays. Salaries and perks were arbitary and based on a person's closeness to the power centres. For example, one of the senior joint presidents was given two semi-luxury cars, the other was given a single old-fashioned car. There were wide disparities in salaries. The 'old' salaries of the two different companies were not unified on integration. Even the date of payment differed. Not training was imparted to employees, even on the new roles they were expected to perform after restructuring. There were no systems for recruitment, appraisal, redeployments and promotions, which were done on the basis of personal contacts and closeness to power centres. Family members of employees were expected to render personal services to family memebers of the owners as and when demanded. Dual reporting (to the joint president and the managing director at the top level, for example) was the norm rather than the exception.

In such a power-and person-oriented culture, employees found it difficult to perform their jobs effectively. A proposal for cross-functional teams could not be executed because of the persisting divide between 'Heera-man' and 'Moti-man'. A newly-organised 'Influencers' Meet' (where engineers, architects, builders, masons and so on could exchange ideas), which was a regular practice among competitors, became ritualised. There were no systems for meeting other influential stakeholders like traders dealers, bureaucrats politicians and industry associations on a regular basis. Internal and external communications, especially public relations, were inadequate. For example, even though Mahut's plants were the first in the state to get ISO-9000 accrediation, that information was not publicised or capitalised on. There was an overall air of non-professionalism in the company, which was apparently due to the fact that the people who held critical position held them because of their connections, not because of the qualifications and competencies.

It seems that cultural complexities in the organisation have worked against the structural changes made for achieving synergies between Heera and Moti. After the restructing, the combined sales plummeted by 20 per cent, and market share declined sharply. There was also a significant reduction in employee morale, if the increases in absenteeism, employee turnover and strikes were any indication. Even the few 'innovations' introduced were unproductive, for the very same cultural reasons. A case in point was the launching of Chota Moti (a small pack of Moti cement for the small user). While this pack had generated some demand, the packaging cost was disproportionately high, leading to further losses. Obviously the sensible course of action was to discontinue its production which was suggested by the lower levels. However, top management decided against it because the new packaging facility had been inaugurated by the wife of the executive vice chairman.

Questions.

(a) How would you describe the organisational culture of the Mahut Group ? Explain your answer citing decisions that illustrate the nature of the culture.

(b) Would it be possible that the decision to restructure the organisation was largely influenced by the culture of the organisation ?

(c) Comment on the way the restructuring proposals were implemented. Explain the influence of the organisational culture, if any, on the implementation process.

(d) How do you explain the decline in employee morale and performance after the restructuring ? Why were the expected synergies not realised ?