02528

MANAGEMENT PROGRAMME

Term-End Examination

June, 2010

MS-25 : MANAGING CHANGE IN ORGANISATIONS

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

Note :

(i) *There are* ***two*** *Sections* ***A*** *and* ***B****.*

(ii) *Attempt* ***any three*** *questions from* ***Section - A****. Each question carries* ***20*** *marks.*

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

SECTION - A

1. What is Total Quality Management (TQM) ? How TQM contributes in bringing change in organisations ? Explain with an example.

2. Describe the Process of Transformation bringing changes in organisations ?

3. Describe different methods of collecting data for evaluation and explain action research approach for evaluation.

4. Discuss how to leverage structure and systems for Managing Organisational Changes.

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

(a) Managing transition

(b) Team building intervention

(c) Turn around Management

(d) Cultural change as a strategy

(e) Types of Resistance

SECTION - B

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

Synergy Formulations (India) Limited was a public limited company and had been in business of pharmaceuticals and drugs since 1988. The company set up its manufacturing plant at Ghaziabad near Delhi in 1988 having separate units for producing tablets, capsules and oral liquids.

Under its expansion programs an ultra modern state of the art plant was commissioned at Meerut in U.P. The company had its corporate office at Lucknow and registered office at Delhi. Synergy Formulations was a premium pharmaceutical company which had a nation-wide distribution network. The company's annual turnover in 1995 was Rs. 10 crores. In the last three years, Synergy had been able to increase its turnover from Rs. 10 crores to Rs. 35 crores. Till 1998 the company was organized into two groups; the generic and OTC (over the counter) grouped together and the ethical division which functioned independently. In 1998, the company decided to restructure its marketing organization into three separate and independent divisions in view of its phenomenal growth.

Synergy Formulation Limited in late 1997 reviewed its existing marketing organization structure with the intention of bifurcating the OTC and generic division. The issue was debated at corporate level. While the field staff and majority of managers at corporate level were of the opinion that the present arrangements were adequate and other strategies could be used to ensure better performance, the MD and one to two percent of the senior executives at corporate level were vehemently propagating the reorganization of marketing division. They felt that this would lead to better control of field staff, optimum utilization of marketing resources and the independent groups would function more effectively which in turn would improve the performance of the different divisions.

In spite of the prevailing divergent views the MD's decision was implemented and the marketing organization was reorganized into three divisions : generic products, the unbranded products which were sold in bulk to hospitals, bulk buyers and nursing homes; ethical products, the medicines which were sold to users on the prescription of doctors and OTC products, those branded products which could be sold without any doctor's prescription.

Post Restructuring

As a result of the restructuring exercise all the sales staff of generic divisions were shifted to OTC division. New zonal and regional managers were hired for generic division. The company decided to discontinue field staff in generic division as it was felt that generic products were predominantly sold by the distribution channel and the role of field staff was limited, hence their absence would not affect the sales adversely. The company now maintained separate accounts for the different divisions to avoid conflicts. Soon after the reorganization of the marketing department the corporate office noticed there were frequent clashes and disputes between the generic and OTC divisions. The causes for the conflicts could be ascribed to the following reasons :

- The distribution channel (Annexure 1) was common for all the three divisions due to which it was experienced that the OTC and generic were competing with each other for orders from channel members who had limited monetary resources. The purchase from one division offer lead to a cut in purchase from the other division. It appeared that the divisions were growing at the cost of each other at distributors level. This fluctuating sales affected the incentives received by sales staff which was based on the volume of sales generated by an individual.

- The company as a policy matter did not supply products to distributors who had outstanding payments to the company, be it on the account of generic division or the OTC division. There was discontentment in the OTC division as they often found that supplies were not being made on orders received by them due to the outstanding of the generic division. This supply policy affected the performance of the OTC division and in turn, their incentives.
- When the field staff of generic divisions was transferred to OTC division, the marketing overheads of the generic division were reduced and to encash on this, the company decided to reduce the prices of the generic products. The generic division became extremely price competitive in the market. Inspite of the reduced prices generic division did not show a considerable positive rise as was expected.

This fall in the performance of generic division was observed in the first quarterly review since the restructuring of the organization. The corporate executives of marketing felt concerned. The review showed that OTC division was flourishing and was in a position to double its sales in this period, but the generic division continued to show decline in sales. The generic division was the largest contributor of the sales turnover of the company (Annexure II on page 8). Though the profit contribution of the generic division was less than OTC but the company could not afford loss of sales in the generic division any more. On discussion with the distributors it was realized that the absence of intermediaries between the distributors and their bulk customers was leading to loss of goodwill and customers. The channel members were of the opinion that the transfer of field staff had been counter-productive to the marketing effort and in the long-term interest of the company, field staff was an essential element of the supply chain though they were able to generate only 30% of the total sales in the generic division. They recommended the recruitment of field staff in generic division and that the status co-ante or achieved. The organization hired new junior field staff for the generic division in October, 1998.

The recruitment of field staff led to the increase in the marketing overhead. Since the organisation used cost plus pricing, it was forced to increase its MRP. This increase in price affected the sales of generic product adversely as generic are extremely price sensitive. Synergy Formulation was now caught in a vicious circle. It neither could reduce prices nor discontinue the field staff in generic division.

Questions :

(a) Identify the case issues in this case.

(b) What in your opinion were the problems faced by Synergy generic division after its bifurcation from the OTC division ?

(c) How do you propose to reduce the conflict between the two divisions.

(d) Do you think restructuring the marketing organization was a wise decision ? Justify your answer.

Annexure I

Three level distribution channel
Manufacturer — Distributor — Stockist — Retailer — Customer

Annexure II

Product category	Sales turnover
Generic	Rs. 17 crores
Ethical	Rs. 2 crores
OTC	Rs. 16 crores
Total	Rs. 35 crores