

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS MANAGEMENT**  
**FEBRUARY 2010 EXAMINATIONS**  
**ORGANISATION DESIGN CBU 4110**  
**TIME ALLOWED: 3 HOURS 30 MINUTES**

**INSTRUCTIONS TO CANDIDATES**

Answer any **four** questions.

**INFORMATION TO CANDIDATES**

- i) All questions carry **25** marks.
- ii) Questions may be answered in any order.
- iii) Credit will be given for the use of appropriate examples.
- iv) This paper contains **Seven** questions.

**QUESTION 1**

**CASE 1**

**IS EVERY ORGANISATION UNIQUE?**

In one way, organisations are like fingerprints. Each has its own unique structure. Coca-Cola and PepsiCo, for instance, are both large corporations that derive most of their income from soft drinks. But a careful review of their organisations finds that their structures are not identical clones of each other. Yet, again like finger prints, no structure is truly unique. All fingerprints, for instance, have common properties, that allow them to be classified around common elements. If we look at the organisations that currently exist, it is quickly obvious that they too have common elements. To make our point, PepsiCo, B.F. Goodrich, Citicorp and Phelps Dodge are all in very different industries. However, a close look at their structures reveals that they share at least two things in common-each is high in complexity and high in formalisation. So while there may be four million or more organisations to day in North America, there certainly are not four million different forms or configurations. Like fingerprints, many have common elements that, once identified, allow for the development of a classification framework. **(Robbins, 1994:275)**

## **REQUIRED**

Making reference to the above case, critically discuss the relevance or lack of it, of the statement; ‘...every organisation is unique.’ **[25 Marks]**

## **QUESTION 2**

### **Strategy at Hewlett-Packard**

Hewlett-Packard is the world’s largest manufacturer of test and measurement instruments as well as a major producer of electronic calculators and computers. From its very beginning, Hewlett-Packard (H-P) has pursued a strategy that brings the products of scientific research into industrial application while maintaining the collegial atmosphere of a university laboratory. The firm has concentrated on advanced technology and offers mostly state-of-the-art products to a variety of industrial and consumer markets. H-P’s strategy is to pursue actively a given product line and market as long as the company has a distinctive technological or design advantage. But when products reach the stage where success depends primarily on low costs and highly competitive prices, H-P typically moves out of that market and turns its attention to a new design or an entirely new product.

Hewlett Packard’s strategy of technological innovation is supported by a highly flexible organisation structure. It is organized around integrated, self-contained, product divisions that are given a great deal of independence. New divisions arise when a particular product line becomes large enough to support its continued growth out of the profit it generates. New divisions also tend to be created when single divisions get to about two thousand people; H-P has found that above this number people start to lose identification with the product line.

A lot of factors go into the success of any company. In Hewlett Packard case, it has undoubtedly been very effective at identifying profitable markets, hiring competent scientists and engineers and creating a corporate culture that fosters innovation and high performance, but a large part of HP's success as typified by annual sales in excess of \$10 billion and profits or more than \$830 million has been the development of a flexible structure that facilitates the company’s innovation strategy, that is, HP has found the right fit between it’s corporate strategy and its organization structure.

**(Source: Robbins, 1989:119)**

### **REQUIRED**

Using the above case as a reference point, discuss the relevance of the strategy imperative.

[25 Marks]

### **QUESTION 3**

Eastman Kodak has sales in excess of US\$13 billion a year and employs 125 000 people. These employees obviously cannot fit neatly into one building or into several departments supervised by a couple of managers. It is hard to envision these 125 000 employees being organised in any manner other than one that would be labelled as high in complexity. On the other hand, a local one hour photo processing firm that employs six people and generates less than US\$200 000 a year in sales is not likely to need decentralised decision making or extensive written documentation defining company policies and regulations. Comparing these two photography related firms suggests that an organisation's size influences its structure.

**(Source: Robbins, 1989:150)**

### **REQUIRED**

Review the evidence on the size-structure relationship by making reference to local companies/organisations.

[25 Marks]

### **QUESTION 4**

Studies that have investigated the background of CEOs in large companies have found that manufacturing personnel and entrepreneurship rose to the top in the early part of the last century. From the 1930s to the late 1950s, sales and marketing personnel came to dominate large firms. The period between 1960 and the mid 1980s saw finance personnel increasingly rise to power.

These shifts in the background of corporate CEOs essentially reflected changes in the strategy and structure of the organisations, and changes in antitrust laws that promoted an increase in product related and unrelated mergers after World War II. These changes shifted the power of subunits within corporations, which, in turn resulted in new leaders coming out of those subunits who would best resolve the problems and uncertainties that the organisations faced.

As noted, the early years of the last century found corporations run by entrepreneurial types and those promoted out of manufacturing. This reflected the production emphasis and single-product strategies of these firms. After World War II large corporations began to develop multi-product strategies and adopt multidivisional structures. This put a premium on sales and marketing expertise and increased promotion opportunities at the top for individuals with these kinds of backgrounds.

A new strategy emerged in the late 1950s that again changed the power position of subunits in large corporations. This was the creation of the conglomerate- a set of many autonomous companies operating in unrelated businesses. Of course, in addition to the emergence of the conglomerates, the US government was also becoming more tolerant of large-scale mergers. As a result corporations changed their strategies from growth through increased market share to growth through acquisitions of different product lines. These forces- the growth of conglomerates and mergers- put less importance on the type of goods produced and sold. The emphasis shifted to rapid growth through acquisitions and maximisation of short-term profits.

When large corporations are seeking rapid growth and investing in dissimilar businesses, the only criterion that could be used to evaluate investment decisions and the performance of business units was financial. So those with a financial background found themselves in the preferred track on the road to the top.

(Source: Robbins, 1989:259)

### **REQUIRED**

With reference to the above case, discuss the statement that ‘Strategy, size, technology and environment are irrelevant in explaining an organisation’s structure.’ (NB Make use of local examples where possible) [25 Marks]

### **QUESTION 5**

#### **Things are changing at Procter & Gamble**

For decades, Procter & Gamble was the dominant force in the soap and packaged-food industry. Its large bureaucratic structure-with autonomous divisions and centralised decision

making-worked efficiently because P&G was the dominant player in almost every market in which it competed. The practice of high centralisation for example, decision on whether the company's new decaffeinated instant Folger's coffee should have a green or gold cap went to P&G's CEO-worked because the company faced a stable environment. P&G did not introduce many new products it did not have to. And when new products were developed, they went through long and thorough test marketing before actual launching. P&G prided itself on following a low-risk approach to its business.

In recent years, however, P&G's most respected and long-dominant brand names have found themselves up against vigorous competition. Long-time competitors were no longer content to live in P&G's shadow. For example, Crest was losing market share to Colgate and new rival liquid detergents were eroding some of Tide's market. P&G has responded with some dramatic structural changes. Interdivisional teams have been created to coordinate projects across divisional lines. Top management has begun to loosen its stranglehold on decision-making; business teams have been created that can make decisions on everything from product development top cost-cutting. And production employees are making most day-to-day operating decisions. As a result of these changes, P&G has become a more aggressive and responsive force in its markets. It is now developing more products than ever before and getting them to the marketplace much quicker.

### **REQUIRED**

Using the above case as a reference point, discuss the relationship between environment and structure.

### **QUESTION 6**

#### **A best seller's definition of organisational effectiveness.**

One of the most successful management books of all times is tom Peter and Robert Waterman's 'In Search of Excellence' published in 1982 ``The book has sold more than five million copies! After studying forty Two companies that Peters and Waterman described as well managed; highly effective or excellent these included firms like IBM; Du Pont; 3M;McDonald`s and Procter & Gamble-they found eight common characteristics that these companies had in common. [1] They had a bias for action and getting things accomplished. [2] They stayed closed to their customers in order to fully understand their customers' needs.

[3] They allowed employees a high degree of autonomy and fostered the entrepreneurial spirit. [4] They sought to increase productivity through employee participation. [5] Their employees knew what the company stands for, and their managers were actively involved in problems at all levels. [6] They stayed close to the businesses they knew and understood. (7) They had organisation structures that were elegantly simple, with a minimal number of people in staff support activities. (8) They blended tight, centralised controls for protecting the company's core values with loose controls in other areas to encourage risk taking. And innovation.

While Peters and Waterman's research methods and conclusions have received their share of criticism. It would be naive to ignore the influence that their book has had. For many practicing managers during the middle and late 1980s, in search of excellence became their managerial Bible. The eight characteristics became similar to commandments, their achievement of which defined organisational effectiveness.

#### **QUESTION 7**

'A careful structuring of an organisation could be used as a competitive weapon in the marketplace.' Critically discuss this statement, making reference to local examples.

**END OF EXAMINATION**