



Application Type Questions

1. Neha runs a factory wherein she manufactures shoes. The business has been doing well and she intends to expand by diversifying into leather bags as well as Western formal wear, thereby making her company a complete provider of corporate wear. This will enable her to market her business unit as the one stop for working women. Which type of structure would you recommend for her expanded organisation and why?

Ans: Neha should decide for divisional structure because

- (i) She will diversify her unit now into varied product lines.
- (ii) Such a structure would enable her to know the profit margins from each product line and accordingly, she can plan and select the specific product for future diversification.
- (iii) It will facilitate further expansion without disturbing the existing units.

2. The production manager asked the foreman to achieve a target production of 200 units per day, but he doesn't give him the authority to requisition tools and materials from the stores department. Can the production manager blame the foreman if he is not able to achieve the desired target? Give reasons.

Ans: No, the production manager cannot hold the foreman responsible for the incomplete work as the foreman was not given authority by the manager. The principle of authority responsibility says that there should be a balance between the authority and responsibility. If the authority given is more, then it leads to misuse of authority and if responsibility is more, then the work will not be completed.

3. A manager enhances the production target from 500 units to 700 units per month, but the authority to draw raw material was not given by him. The production manager could not achieve the revised production target. Who is responsible and which principle was violated?

Ans: The manager is responsible for work not being completed. The principle of authority responsibility is violated.

4. A company has its registered office in Delhi, manufacturing unit at Gurgaon and marketing and sales department at Faridabad. The company manufactures the consumer products. Which type of organisational structure should it adopt to achieve its target?

Ans:

- (i) As a company is performing separate functions in separate areas, then it should adopt functional structure.
- (ii) The services of experts are common to all products. It will be economical as no duplication will take place.
- (iii) Span of management can be increased as workers will be doing same type of work.

Case Problems

1. A company, which manufactures a popular brand of toys, has been enjoying good market reputation. It has a functional organisational structure with Separate departments for production, marketing, finance, human resources and research and

development.

Lately to use its brand name and also to cash on to new business opportunities it is thinking to diversify into manufacture of new range of electronic toys for which a new market is emerging.

Question: Prepare a report regarding organisation structure giving concrete reasons with regard to benefits the company will derive from the steps it should take.

Ans: In the given situation, organisation should shift from functional structure to divisional structure as the company wants to diversify; by adding a new product line. The reasons and benefits are

- (i) The performance of each unit can be easily assessed.
- (ii) New product lines can be easily added without disturbing the existing units.
- (iii) Decision making is faster.
- (iv) Divisional structure maintains short line of communication with customers and provide better services to them.

2. A company manufacturing sewing machines set up in 1945 by the British promoters follows formal organisation culture in totality. It is facing lot of problems in delays in decision making. As the result it is not able to adapt to changing business environment. The work force is also not motivated since they cannot vent their grievances except through formal channels, which involve red tape. Employee turnover is high. Its market share is also declining due to changed circumstances and business environment.

Question: You are to advise the company with regard to change it should bring about its organisation structure to overcome the problems faced by it. Give reasons in terms of benefits it will derive from the changes suggested by you. In which sectors can the company diversify, keeping in mind the declining market for the product the company is manufacturing?

Ans: The suggestions are

- (i) To overcome the limitations of formal organisation, the management should encourage workers to interact and socialise with each other through get together outings. In this way, everyone will interact and like minded people will come closer. The net result will be more satisfied workforce.
- (ii) The management should try to decentralise organisation structure.
- (iii) The suggested area where the business can be diversified is textile machineries like embroidery units, sequencing units, buttoning units.

3. A company X limited manufacturing cosmetics, which has enjoyed a pre-eminent position in business, has grown in size. Its business was very good till 1991. But after that, new liberalised environment has seen entry of many MNC's in the sector. With the result the market share of X limited has declined. The company had followed a very centralised business model with directors and divisional heads making even minor decisions. Before 1991, this business model had served the company very well as consumers has no choice. But now the company is under pressure to reform.

Question What organisation structure changes should the company bring about in order to retain its market share?

How will the changes suggested by you help the firm? Keep in mind that the sector in which the company is FMCG.

Ans: The company X Ltd is working in a centralised way, which is not giving enough time to the higher officials to think of better policies, strategies to handle the changes in the changing environment. The company should thus get decentralised so that the routine type of work, involving minor decisions can be looked after by the lower levels. This will give/save more time for the directors and divisional

heads to plan strategies to fight with competition.

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