Enrollment ID: ____________

Navrachana University
SBL and SY MBA
End-Semester ExaminationSeptember-2017
2017 and 3rd Semester
Business Policyand Strategic Management and MG211

Date: 23rd November 2017 **Marks: 40**
Time:03.30 to 5.30 pm

Instructions:

- ➔ Write each answer on a new page
- ➔ Please read the Case Study and answer the questions
- ➔ Please read the rest of the questions and answer as per instructions
- ➔ Mobile phone and internet are not allowed during the examination

A) Case Study

Ford's CEO turnaround strategy

After a loss of more than $13 billion in 2006, William Ford III, who had been Ford Motor's CEO for 5 years, decided he was not the right person to turnaround the company's performance. In fact, it became apparent that he was a part of Ford's management problems because he and other top managers at Ford tried to build and protect their own corporate empires, and none would ever admit that mistakes had occurred over the years. As a result, the entire company's performance had suffered; its future was in doubt. Deciding they needed an outsider to change the way the company operated, Ford recruited Alan Mulally from Boeing to become the new CEO.

After arriving at Ford, Mulally attended hundreds of executive meetings with his new managers. At one meeting, he became confused why one top division manager, who obviously did not know the answer to one of Mulally's questions concerning the performance of his car division, rambled on for several minutes trying to disguise his ignorance. Mulally turned to his second-in-command Mark Fields and asked him why the manager had done that. Fields explained that "at Ford you never admit when you don't know something." He also told Mulally that when he arrived as a middle manager at Ford and wanted to ask his boss to lunch to gain information about divisional operations, he was told:"What rank are you at Ford? Don't you know that a subordinate never asks a superior to lunch?"

Mulally discovered that over the years Ford had developed a tall hierarchy composed of managers whose primary goal was to protect their turf and avoid any direct blame for its plunging car sales. When asked why car sales were falling, they did not admit to bad design and poor quality issues in their divisions; instead they hid in the details. Managers brought thick notebooks and binders to meetings, using the high prices of components and labor costs to explain why their own particular car models were not selling well—or why they had to be sold at a loss. Why, Mulally wondered, did Ford's top executives have this inward-looking, destructive mind-set? How could he change Ford's organizational structure and culture to reduce costs and speed product development to build the kindsof vehicles customers wanted?

First, Mulally decided he needed to change Ford's structure, and that a major reorganization of the company's hierarchy was necessary. He decided to flatten Ford's structure and recentralize control at the top so that all top divisional managers reported to him. But, at the same time, he emphasized that teamwork and the development of a cross-divisional approach to manage the enormous value-chain challenges that confronted Ford in its search for ways to reduce its cost structure. He eliminated two levels in the top management hierarchy and clearly defined each top manager's role in the turnaroundprocess so the company could begin to act as a whole instead of as separate divisions in which managers pursued their own interests. Mulally also realized, however, that simply changing Ford's structure was not enough to change the way it operated, its other major organizational problem was that the values and norms in Ford's culture that had developed over time hindered cooperation and teamwork.

These values and norms promoted secrecy and ambiguity; they emphasized status and rank so managers could protect their information—the best way managers of its different divisions and functions believed to maintain jobs and status was to hoard, rather than share, information. The reason only the boss could ask a subordinate to lunch was to allow superiors to protect their information and positions

What could Mulally do? He issued a direct order that the managers of every division share with every other Ford division a detailed statement of the costs they incurred to build each of its vehicles. He insisted that each of Ford's divisional presidents should attend a weekly (rather than a monthly) meeting to openly share and discuss the problems all the company's divisions faced. He also told managers they should bring a different subordinate with them to each meeting so every manager in the hierarchy would learn of the problems that had been kept hidden.

Essentially, Mulally's goal was to demolish the dysfunctional values and norms of Ford's culture that focused managers' attention on their own empires at the expense of the entire company. Mulally's goal was to create new values and norms that encouraged employees to admit mistakes, share information about all aspects of model design and costs, and, of course, find ways to speed development and reduce costs. He also wanted to change Ford's culture to allow norms of cooperation to develop both within and across divisions to allow its new structure to work effectively and improve company performance.

By 2011, it was clear that Mulally's attempts to change Ford's structure and culture had succeeded. The company reported a profit in the spring of 2010, for which Mulally received over $17 million in salary and other bonuses, and by 2011 it was reporting record profits as the sales of its vehicles soared. In 2011, Mulally had reached 65, the normal retirement age for Ford's top managers, but ina press conference announcing Ford's record results, William Ford joked that he hoped Mulally would still be in charge of the transformed company in 2025.

Case Discussion Questions

1. Why do you think Ford decided to recruit an outsider to lead Ford Motors? Do you think it was a wise move and why? (10)

2. What is the relationship among organizational structure, control, and culture? Give some examples of when and under what conditions a mismatch among these components might arise. (10)

B) Use the four international strategies to classify the international strategyof any multinational corporation with which you are familiar. (8)

C) Answer one of (a) or (b) (7)

a) With regard to a new product or service that you have recently experienced and enjoyed investigate the strategic responses of 'incumbents' to this innovation. To what extent is theinnovation disruptive for them

OR

b) Differentiate between Transformational and Transactional Leaders with example of such leaders. Explain the various styles of leading strategic change with their advantages and disadvantages.

D) Multiple Choice Questions (5)

1. Why do corporations acquire other corporations?
    a. Strengthen brand
    b. Cost synergies
    c. Operating synergies
    d. Improvements to human capital
    e. All of the above

2. What is explained by the diffusion of innovation theory?
    a. How new ideas spread among users
    b. How new ideas are eliminated or controlled by a culture
    c. The way that individuals develop a new idea
    d. The psychological process of creativity

3. Why is strategic change management essential for companies?
    a. Change is necessary in order to focus on correcting past mistakes.
    b. Change is not necessary if the company is profitable
    c. Change is necessary for companies to continue to thrive and to meet or exceed their competitors.
    d. Change is necessary in order to cut costs.

4. In Michael Porter's framework, which of the following factors does not affect a nation's competitiveness?
    a. Factor conditions
    b. Policies that protect the nation's domestic competitors
    c. Demand characteristics
    d. Related and supported industries

5. Which of the following describes the most standard order of entry into foreign markets?
    a. franchising, licensing, exporting, joint venture, and wholly owned subsidiary
    b. licensing, exporting, franchising, joint venture, and wholly owned subsidiary
    c. exporting, licensing, franchising, joint venture, and wholly owned subsidiary
    d. exporting, franchising, licensing, joint venture, and wholly owned subsidiary