



**FACULTY OF MANAGEMENT  
FINAL EXAMINATION JUNE 2014**

**DEPARTMENT OF BUSINESS MANAGEMENT**

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**MODULE** : **CONTEMPORARY MANAGEMENT**  
**CODE** : **MCB001/BMA9X01**  
**DATE** : **14 JUNE FINAL EXAMINATION**  
**DURATION** : **3 HOURS**  
**TIME** : **08:30 – 11:30**  
**TOTAL MARKS** : **120**

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**EXAMINER(S)** : **PROF S KRUGER**  
**(EXTERNAL) MODERATOR:** **PROF J KROON (NWU)**  
**NUMBER OF PAGES** : **5 PAGES**

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**INSTRUCTIONS TO CANDIDATES:**

- Answer all questions (1-6).
  - Make sure numbering of questions are correct.
  - Provide examples with all answers and make sure you stick to the topic at hand.
  - This is an open-book exam-all available study material can be utilised in the exam venue.
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## **QUESTION 1: CONDUCTING A FORCE-FIELD ANALISES AS PART OF CHANGE MANAGEMENT: The Beacon Aircraft Co.**

### **THE SITUATION**

The marketing division of the Beacon Aircraft Co. has gone through two reorganisations in the past two years. Initially its structure changed from a functional form to a matrix form. But the matrix structure didn't satisfy some functional managers. They complained that the structure confused the authority and responsibility relationships.

In reaction to these complaints, the marketing manager revised the structure back to the functional form. This new structure maintained market and project groups, which were managed by project managers with a few general staff personnel. But no functional specialists were assigned to these groups.

After the change some problems began to surface. Project managers complained that they couldn't obtain adequate assistance from functional staffs. It not only took more time to obtain necessary assistance; it also created problems in establishing stable relationships with functional staff members. Since these problems affected their services to customers, project managers demanded a change in the organisational structure – probably again toward a matrix structure. Faced with these complaints and demands from project managers, the vice president is pondering another reorganisation. He has requested an outside consultant to help him in the reorganisation plan.

### **THE REQUEST:**

1. Identify the firm's driving and resisting forces.
2. Develop a set of strategies for increasing the driving forces and another set for reducing the resisting forces.
3. Prepare a list of changes you want to introduce through the strategies suggested in item 2.

(20)

## **QUESTION 2: DECISION MAKING IN HARD TIMES**

You are on the top management team of a medium-size company that manufactures cardboard boxes and packaging materials. Your company faces increased levels of competition. Profits are declining. The company have tried to cut cost to be more competitive. No employees have been retrenched as yet. The company has a no-layoff policy for the last 20 years.

You are experiencing mounting pressure to increase performance. Shareholders are questioning the no-layoff policy. Rumours are rampant and employees are worried. You are meeting today to address the problem.

- Develop a list of options and potential courses of action to heighten competition and increase profitability.
- Choose your preferred course of action and justify it.
- Describe how you will communicate the decision to employees.
- Do you think government will play in this chosen option?

(20)

### **QUESTION 3: BOB'S APPLIANCES**

Bob's Appliances sells and services household appliances. Over the years, the company has developed a good reputation for the quality of its customer service. However large retailers are also providing an increasing range of appliances. These retailers attract more customers by providing a complete range of consumer electronics. Bob decided that if he wants to stay in business he should widen his product range and compete directly with the chains.

In 2007 he decided to build a massive store and service centre, and he is now hiring new employees to sell and service the new line of consumer electronics. The company increased in size. Bob is not sure how to organise the company and the employees. Currently he is using a typical functional structure divided into sales, purchasing, accounting and repairs. Bob is wondering whether selling and servicing electronic equipment is so different from selling and servicing appliances. Should he move to another kind of structure?

You are a consultant whom Bob has called in to advise him on the decision. Which structure would you recommend? Why?

(10)

### **QUESTION 4: CHANGE MANAGEMENT- "THE ROAD TO TAKE ?"**

You have just been appointed as the CEO of XYZ Limited which is in the import and export business. Based on your experience at a prominent bank you are requested to turn this typical second wave company around to become a Fourth Wave organisation. You have at the most 2 years to complete this job. Being a change management expert you need to drive this organisation through the Third and Fourth Wave to eventually establish it as a Fifth wave organisation. What would your actions be? How would you tackle this major task. Use the principles of the change management process to explain your actions

(30)

### **QUESTION 5: CASE STUDY: MANAGING ORGANISATIONAL CHANGE AT ABTCO**

Answer the three (3) critical questions regarding the change process at ABTCO.

Most modern observers of economic and social trends agree that the global economy has been experiencing an accelerating pace of change. New technologies, new competitive pressures, and new organisational structures have created an environment in which organisations are also changing rapidly. But change is disconcerting for most people, and it's even more disconcerting for employees when entire organisations are faced with change. There are many reasons for employee resistance to change. Fortunately, resistance to change can be overcome by using various techniques for managing change.

Many techniques are designed to give employees a stake in the outcomes of change.

Managing change requires that managers have a sense of the depth of the intervention they are making. Depth of intervention is defined as the degree of change that the intervention is intended to bring about. Team building and empowerment are examples of moderate depth intervention. *The greater the depth of the intervention, the greater the amount of resistance.*

The culture and structure of a company significantly affect the kinds of changes that can occur. To reshape the internal culture of a company, managers can adjust such elements as the internal reward system, educational and training opportunities, or the hiring and socialisation processes. Through training and development, managers can encourage more interaction among employees, which helps them become more attuned to the culture and helps them feel a part of the change process. These important techniques for managing organisational change were effectively applied at Abitibi-Price Building Products Company.

Michigan-based Abitibi-Price, one of the largest building products and newsprint businesses in North America, found itself in serious financial trouble in the early 1990s. Sales were weak, especially in the newsprint division, and annual earnings had declined steadily from a high of \$199.2 million in 1987 to a loss of \$75.9 million in 1990. Employees were anxious over reports of weak sales and of the bleak outlook in their industry. Their company was for sale, and there were concerns about who the new employer would be, or whether anyone would buy the company to keep it afloat. The survival of their company was very much on the minds of the workers.

At the time Abitibi-Price was experiencing its problems, George Brophy, CEO of a Wisconsin-based building-products firm, was experiencing his own. He had been diagnosed with stomach cancer, and faced a struggle for his personal survival. Brophy successfully battled his cancer, and upon doing so south a new challenge. He left his company in Wisconsin and joined forces with Kohlberg & Company, a leading merchant banking firm, to buy Abitibi-Price. This buyout rescued the company from certain doom.

Brophy and his partners instituted swift changes at the building-products company. The first order of business was to put together a new management team. Drawing on the contacts he had made in his 27 years in the building-products industry, Brophy assembled a very experienced management team. Selecting a name for the new company was Brophy's next challenge. ABTCO (pronounced A-B-T-co) was selected because of its similarity to the well-known Aibitibi. Stationery, signage, packaging, and advertising all had to be changed. But, more importantly, a new image had to be established.

When the new management team took over, ABTCO's product line included engineered wood for panelling and siding, and also plastic products for moulding, architectural trim, and shutters. The new management team noted that, over the previous five years, the price of lumber had increased by over 20 percent for new home buyers. Therefore, the team decided to shift the company's focus to its plastic, simulated wood products. ABTCO's simulated wood products would enable builders to save \$4,000 to \$8,000 on an average home, while remodelers could save \$2,000 on an average bathroom. Over the next two to three years, ABTCO anticipated that 40 percent of its sales would be for new construction, which they expected to increase at about 10 percent per year. The rest of the business would come from repair and remodelling.

ABTCO's new management team was pleasantly surprised to discover little employee resistance to its change initiatives. This lack of resistance was primarily due to employee participation and empowerment being a major part of the company's change process. According to Vice President of Marketing William J. Adams, "Our management style was one where a lower-level employee could pick up the telephone and call the vice president of his division. We interfaced with each other on a regular basis. We have teams that worked together on different projects just because we all happened to be involved. In the past, we had walls where marketing was over here, and manufacturing was over there, and the two were constantly doing battle. That never gets results, it only causes friction."

Under the change initiatives, managers began showing a new level of confidence in employees, giving them more discretion and flexibility in the workplace. This, in turn, gave

managers the opportunity to focus more on customer needs and service, and increase the company's emphasis on quality. Top managers began meeting with customers, and customer response was overwhelmingly positive. CEO Brophy said, "It demonstrates that we are interested in the customer. Every top executive in this company has to visit at least 15 of our top customers each year."

Changes were also evident on the shop floor, in terms of both process and quality improvements. James P. Kinzler, operations manager, noting the improvement in the process of bringing new products to market, said, "What we've seen is we've been able to get new products to market every rapidly under the new ownership. We've been empowered at the plant level to make decisions here and keep things moving the right direction." Tim Keeney, quality development manager, said, "I think the new ownership has taken a look at new markets. In the past we were tied to a do-it-yourselfer or home-center type market. The new owners have helped expand that to where we are competing directly with wood, which is something we hadn't done before. The volumes with the wood market are much higher than what we had been restricted to previously, so the possibility for growth coupled with the willingness to take some risks is a big change."

ABTCO's turnaround has been successful. Revenues are expected to increase 15 percent annually, and the company's stock price doubled in the first eight months of the new management's regime. ABTCO and CEO Brophy both came back from near disaster by managing and accepting change. Brophy summarised the change process at ABTCO by stating, "Everybody chipped in here. We had people giving concessions, we had people who were doing new jobs, we had new management that we brought in. It was a classic team effort."

#### **CRITICAL THINKING QUESTIONS**

- ABTCO's new management team broke through resistance to change through employee participation and empowerment. Explain why this approach is effective in managing change.
- Resistance to change is a very common phenomenon that managers experience. Discuss the reasons for resisting change cited in this company. Do you think there are some other reasons people might resist change? How can these be overcome?
- What other measures, besides sales, profit and revenue can be used to determine effectiveness of major change?

(20)

#### **QUESTION 6: ENVIRONMENTAL SCANNING FOR STRATEGIC PLANNING PURPOSES**

You, as a new senior appointment to the organisation, are requested by top management to make a presentation, on the issue of environmental scanning as part of the strategic planning process. You realise that this is a crucial part of the strategic process and that there are several environments to scan as well as multiple tools to scan each particular environment (besides the normal SWOT-analysis). Prepare your presentation with clear notes.

(20)