



University of Kelaniya – Sri Lanka

*External Examinations Branch*

**Faculty of Commerce & Management Studies**

**Bachelor of Business Management (General) Degree Second Examination  
(External) – 2010  
January 2012**

**BMGT E 2065 – Organization Theory and Design**

No. of Questions: 07

Time: 03 hours

**Answer the first question and any other four questions. Answering the first question is compulsory.**

01. Read the following case and answer the questions at the end.

**Vichithra Advertising Agency**

Vichithra Advertising agency is a middle sized firm that offered two basic services to its clients. The first is customized plans for the contents of an advertising campaign (for example, slogans and layouts) and the second is complete plans for media (such as radio, TV, newspapers, billboards and magazines). Additional services included aid in marketing and distribution of products and marketing research to test advertising effectiveness.

All activities were organized in a traditional manner. Each client account was coordinated by an account executive who acted as a liaison between the client and the various specialists on the professional staff of the operations and marketing divisions. There were number of direct communications and contacts between clients and Vichithra's specialists, clients and account executives, and Vichithra's specialists and account executives.

Although an account executive was designated to be the liaison between the Client and specialists within the agency, communications frequently occurred direction between clients and specialists and by passed the account executive. These direct contacts involved a wide range of interactions, such as meetings, telephone calls, letters and so on. A large number of direct communications occurred between agency specialists and their counterparts in the client organization. For example, an art specialist working as one member of a team on a particular client account often be contacted directly by the Vicnitra's in - house art specialist.

Professional systems operate within the departments of the Operations (TV/Radio production Department / Art Department and so on) and Marketing Department. Each Department was organized hierarchically with a director, an assistant director and several levels

of authority. Professional communications were widespread and mainly concerned with sharing knowledge and techniques and technical evaluation of works. Control in each department was exercised mainly through control of promotions and supervision of work done by subordinates. Many account executives, however, felt the need for more influence and one commented:

"Creativity and art. That's all I hear around here. It is hard as hell to effectively manage six or seven hotshots who claim they have to do their own thing. Each of them tries to sell his or her idea to the client, and most of the time I don't know what has happened until a week later. If I were a despot, I would make all of them check with me first to get approval. Things would sure change around here".

The need of reorganization was made more acute by changes in the environment. Within a short period of time, there was a rapid turnover in the major accounts handled by the agency. It was typical for advertising agencies to gain or lose clients quickly, often with no advance warning as consumer behavior and life style changes emerged and product innovations occurred.

Reorganization was one solution proposed by top management to increase flexibility in this unpredictable environment. But they are not sure what type of reorganization is appropriate.

They would like your help in

(a) Analyzing their context and current structure

(09 marks)

(b) Identifying issues and

(09 marks)

(c) Proposing a new structure

(10 marks)

(Total 28 marks)

02. (a) Is open systems perspective superior to the closed systems perspective? Explain.

(06 marks)

(b) Do you think is there any relationship between an organization life cycle stages and organizational strategies?

(06 marks)

(c) Why would an organic structure be inefficient in a stable environment?

(06 marks)

(Total 18 marks)

03. (a) What are the implications of the Hawthorne Studies on the growth of contemporary organization theory?

(09 marks)

- (b) Do you think the most managers hold Theory X or Theory Y views of people?  
How might this view affect their organization - design decisions?  
(09 marks)  
(Total 18 marks)
04. (a) Are organizational efficiency and flexibility conflicting goals? Explain.  
(06 marks)
- (b) "For a business firm, the bottom line is profit. You don't need any other measures of effectiveness". Build arguments to both support and refuse this statement.  
(12 marks)  
(Total 18 marks)
05. (a) Is tall or flat structure preferred by top managements of organizations? Give reasons.  
(06 marks)
- (b) Explain the matrix structure. What conditions should exist in an organization before it is implemented?  
(06 marks)
- (c) What is the relationship between technology, size, industry and structure?  
(06 marks)  
(Total 18 marks)
06. (a) As an employee in a bureaucracy, what benefits does this structural form provide you with?  
(04 marks)
- (b) "An organization that is high in complexity will be high in formalization ". Do you agree or disagree? Discuss.  
(06 marks)
- (c) "Rules and regulations in a bureaucracy not only define unacceptable behaviors but also define minimum levels of acceptable performance". Criticize.  
(08 marks)  
(Total 18 marks)
07. Write short notes for any three of the following topics.
- (a) Organizational Design and IT
  - (b) Modern Trends in organizations
  - (c) Vertical Information linkages
  - (d) Strategic direction in organization design
  - (e) The environmental domain.
- (3x6 = 18 marks)