January 2016

Master of Business Administration (MBA) Examination

I Semester

Organisational Behaviour and Processes

Time : 3 Hours] [Max. Marks : 80

Note : There are two-sections in this paper, Section A and Seetion B. Answer any four questions from Section A each question carries 15 marks. Section B is compulsory and carries 20 marks.

Section A

1. "Company or corportate culture is difficult to define but is extremely relevant to how organizations behave." Discuss the statement in the light of cross-cultural issues influencing organizational behavior.
2. Imagine that you have been appointed as new sales manager Dell Computers in India. What would you do to motivate employees to become high achievers?
3. What do you understand by the term Stress? What techniques and approaches would you use to cope with workplace stress?
4. "How Leadership help in enhancing employee effectiveness." Discuss.
5. Write notes on any two of the following:
   (a) Negotiation Process (b) Emotional Intelligence
   (c) Job Attitude (d) Group and Intergroup Relations.

Section B

In September 2000, when Allen Questron began his first day as J.C. Penney's new CEO, things didn't look good. The company's valution was down to about $3 billion, from a peak of $ 20 billion. Its stock stood at $13 per share, down from the $70s range in 1997. By October 2000 the share price would dip into single digits for the first time in decades.

The one-time retailing icon of Middle America-which celebrated its 100th anniversary in April 2002-was in dire financial difficulty. When times were good, customers upgraded to stores such as Kohl's and Old Navy. When times were economically tight, shoppors sought better value. Customer buying in bulk at "big box" stores Wal-Mart and Target were undercutting Penney's prices and leading customers out of the mall, which were themselves suffering. To make matters worse. Eckerd, the drugstore chain that J.C. Penney owns and operates, was running in one disappointing quarter after another.

To turn Penney around, in the summer of 2000 Penney's board borrowed a page out of a typical Hollywood script: It brought the reluctant old pro out of retirment. Actually, the 61 year old Questrom was enjoying his second retirement. He was the celebrated CEO who ran Neiman Marcus in the late

http://www.davvonline.com

1980s revived Barney's in the late 1990s and in between steered Federated from bankruptcy to being the largest department store chain in the country. thanks in part to a Questron-orchestrated $4 billion takeover of its main rival, the May Company.

But J.C. Penney presented host of organizational problems. How could Questron-with his background in high-end merchandising, his outsider status in an insular culture, and his arrival in the midst of a bad market-bring the once-proud retailer back to profitability?

His first move was to get the red ink off the balance sheet so that, when the stores started making money again, the company could turn a profit. Penney sold off inventory and shrank long-term debt. By Selling off the company's direct insurance service unit to Aegon for $ 1.3 billion Pennel was able to cover $900 million of corporate debt and still have money for increased marketing efforts. Penney closed 44 unprofitable stores, and laid off 5,000 staff. And, as he told financial analysis to "put a renewed focus on expense control".

Hiring Questrom was actually Penney's second bold gesture that eventually paid off. the first centralization of merchandising-was already underway by the time he came on board. For the first 97 years of the company's existence, management at each of the 1,140 stores had almost complete control over what they put on their shelves. For instance, the jeans selection at the J.C. Penney outlet in the Tri-County Mall in Cincinnati, Ohio, was entirely different from that offered at the Boise, Idaho, Town Square store. This approach was expensive and ineffective because there are no economics of scale.

The decentralized organization clearly was one of the reasons for low productivity and unprofitability. Now that J.C. Pénney has a contralized purchasing system, it can take a centralized approach to marketing. National television ads can feature clothing lines that the shopper can find at the local J.C. Penney store, whether in Pittsburgh, Pennsylvania, or Peoria, Illinois.

Vanessa Castagna, who came to J.C. Penney from Wal-Mart in 1999 as COO, centralized the buying process in 2000. According to most people, the move was about 45 years too late. "What people came back from the war and they wanted to move to the suburbs, all the malls were created," Questrom told analysts and investors. "And now we had national chains that we competed with. We didn't change our systems because we had been living with that for 55 years."

Another thing that Questrom did with J.C. Penney is actually more notable for what he didn't do. He didn't get rid of the Eckerd drugstore chain. Penney got into the drugstore business in the 1960s, with a regional chian called Thrift Drug. In the 1990s, the company acquired Kerr's, Fay's some Rite-Aid stores, some Revco outlets, the Genovese chain, asnd Eckerd. With 2,600 locations, Eckerd is now the fourth largest drugstore chain in the country. But when Questrom took over financial analysts expected him to sell off the Eckerd stores. They believed that J.C. Penney had no business being in the drugetore business.

Questrom saw pharmaceuticals as a growth industry. People are living longer, and when they do, they typically need more prescription and over-the-counter drugs. Questrom also recognized that drugstores were no longer merely

http://www.davvonline.com

drugstores but were like supermarkets, where grandparents could get their arthritis medications and on the way out of the store, spend money on toys for their grandkids.

Questrom hired J. Wayne Harris another outsider, to be chairman and CEO of Eckerd. Together, they restuctured the management of the stores and the stores themselves (you may have noticed a more circuitous route from the pharmacy area to the exit door). They redesigned Eckerd as a convenience store that happened to fill and refill prescriptions-rather than a drugstore that happened top sell greeting cards. However, Merrill Lynch analysts say that a spin-off of Eckerd could happen as carly as spring 2003.

The catalog division of J.C. Penney, which shipped its first goods some 40 years ago, is the nation's largest. In 2000, revenuse topped $3.8 billion. That same year, Penney's Web site was the largest online retailer of apparel and home furnishings. The site had 1.3 million unique visitors a month and an industry-high 18 percent of those visitors bought something.

Dot-com start-ups had catchy names and cheap prices but ran into hurdles when it came to filling orders. With its experience in the catalog business, though, J.C. Penney has the organizational systems to handle high volumes. The company's gift fulfillment centers across the country process orders from both the old-school catalog and the new Internet catalog. The 45 acre distribution on center in Lenexa. Kansas, and ship 8 million items in 2 to 3 days.

Even though Penney's Web site was popular, it wasn't profitable. "It's a very costly way to do business", Questrom has said, noting that the company lost $ 40 million on it in 2000 Because the catalog and the Web site operations are two sides of the same coin. Questrom combined them. And because no one in the company had the kind of experience he thought was needed to run the division, he brought in two management he'd worked with before who had financial. operations, marketing, and merchandising backgrounds.

J.C. Penney is in the process of renovating its existing stores across the country with wider aisles, fewer walls, and new floors paint, and lighting. New stores, like the one at Stonebriar Center in Frisco, Texas, feature televisions and electronic kiosks. The new look has already impressed the investment houses.

Questrom has said that getting J.C. Penney back on its feet would take 2 to 5 years. "One should not assume, because were going to have a few good months of sales, the we've made the turn", he cautioned. If the stays true to form, Questron will leave J.C. Penney once he's convinced the ship had been righted. He'll probably take a little well-deserved rest-until the next board of directors comes calling looking to lure the old pro out of retirement.

Questions :

1. What change approach did Allen Questrom use to change J.C. Penney?
2. What method did he use to achieve specific changes?
3. What competencies did Questrom use to make these changes?
4. What are some forms of resistance to change from store managers has Questrom likely had to overcome?

❏❏❏