

Kongstrup machine factory case essay sample

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Question 1: The challenges facing Kongstrup after the collapse of the alliance with MB

Kongstrup Machine Factory was established in 1894. The company's activities are the development, production and sales of agricultural machinery. In 1986 they merged with a company called Multos Biancos. Multos Biancos went to China at the end of 2008 and had considerable interests in the mining industry. This little trip had huge consequences for the merger between Multos Biancos and Kongstrup. During the autumn of 2008 the cooperation would be terminated with immediate effect. All the distribution and sales were ruined after the cancellation of the cooperation agreement. Because of the fact that Kongstrup was dealing with the development and the production of combines, Multos Biancos did the distribution and sales.

During the cooperation with Multos Biancos, Kongstrup had to work also by distribution and sales and not only by the production. When Kongstrup took a part of distribution and sales, they had a lot of experience in this department and after a collapse this department was not ruined. In a functional structure, activities are grouped together by common function from the bottom to the top of the organization¹. Employees are exposed to a range of functional activities within their own department². One of the weaknesses of a traditional structure is the slow response time to environmental changes.

Kongstrup should have noticed the changing environment of Multos Biancos, when they went to China and invest in the mining industry. How earlier they knew, how better they could respond to the change. One of the strengths of

a traditional structure is that you can only use it good with only one or a few products. Kongstrup went for an increasingly comprehensive product range. They could not handle this product with their structure. A better option is to focus the company at one product or they should change their organizational structure to a divisional structure.

One of the strengths of a divisional structure that it is suited to fast change in unstable environment, where the company now is after the cancellation of the cooperation agreement. The fact that the company did not have much experience in handling crises was a serious problem for Kongstrup. This is not really their fault. The management of Kongstrup could have learn something about a termination of a merger. They were better prepared and the ruin after the cancellation was very less. ¹ (R. L. Daft, J. Murphy, H. Willmott, Organization theory and design, 2nd edition) ² (R. Duncan, Organizational dynamics (1979), W. Alan Randolph, Gregory G. Dess , Academy of Management Review (1984)

Question 2: Advantages and disadvantages of an open approach to decision-making

An open approach to decision-making

Advantages

Disadvantages

An advantage of an open approach to decision-making is that nobody has all the power to make a decision. Everyone can give their opinion. There is more knowledge available Less efficient. Decision-making takes a long time, the management must know of every employee what their opinion is. You need

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to negotiate with your employee by almost every decision to pick the best one. Less dissatisfaction among the employees. Everyone can say what they want and all the employees could find an agreement with each other. When all employees want an open approach to decision-making, they do not have trust in management. This could be a disadvantage because by every decision of the management, the employees have doubts and they do not stand behind the decision and the employees cannot work properly

More creativity to decision-making

Question 3: Environmental uncertainty for Kongstrup

Environmental uncertainty is the question of how difficult it is for an entity to predict the (external) events which influence the entity. When it's easy to predict, the environment is stable and simple, therefore it's easy for the entity to be effective. In an unstable and complex environment it's difficult to be effective and the entity needs continuous changes in their structure and strategy. So environmental uncertainty is that the top management hasn't enough information to predict and respond to external changes. The more uncertainty the more chance of failure. ¹

One of Kongstrup's environmental uncertainties was their distribution and sales activities. One of the biggest advantages for the cooperation with Multos Biancos (MB) was that MB had a good international reputation and a market located in Western Europe where their sales organization was well-structured. When the cooperation ceased to exist, Kongstrup lost the strong sales and distribution part and needed to do it by themselves. When Kongstrup and MB agreed to form a cooperation, they divided the tasks:

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Kongstrup was the manufacturer and MB's responsibility was sales and distribution. Because of this Kongstrup was not experienced in selling its products and never considered which strategy it should use regarding its customer relationship. Because the customer's needs are always changing and crucial for any entity is it essential for Kongstrup to have a well-structured marketing division which exactly understand those changes. That why not knowing which strategy you are going to use for your customer relationship is an environmental uncertainty.

Interacting with and controlling of your external environment can be done by planning and foreseeing. By planning and foreseeing you can predict environmental changes and respond quickly to them. Responding to these changes can be done by reorganizing your organizational structure or redesign your strategy. Kongstrup biggest problem is their strategy and structure. They need to implement a whole new strategy and structure. By predicting the upcoming changes and by knowing them Kongstrup can reorganize their organizational structure. By reorganizing they can improve their sales and distribution and should be interacting and controlling the external environment better.

¹ (R. L. Daft, J. Murphy, H. Willmott, Organization theory and design, 2nd edition) Question 4: New organizational structure Kongstrup

Kongstrup's strengths are their teamwork, distribution (25 km between customer and service centre), innovation and development. Their main goals are expanding their market and producing low-cost productions. For gaining market access in other countries the export strategy is excellent: production

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is normally done in one country but per country a small organisation unit makes products and services country specific. A disadvantage of this strategy is that development will not easily be exchanged between countries. Therefore a geographical structure with full-time integrators will help perfectly.

Integrator will exchange information with each other and inform the top management about possible gains between different countries. Because of the competitive market Kongstrup must continue to differentiate their services by setting up a detailed local network in the new countries. Even in the new countries the maximum distance between a customer and a service centre should be 25 km.