IMPERIAL CHEMICAL INDUSTRIES case study solution

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Short Description
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Description
IMPERIAL CHEMICAL INDUSTRIES

Imperial Chemical Industries is an international firm. It consists of 11 divisions doing business in speciality chemicals, pharmaceuticals, agricultural chemicals and fertilizers, paints, explosives, oil, fibres, petrochemicals and plastics. It is a British firm with a large market presence in this country and Europe and smaller markets in many other countries.

The 1980 world recession hit ICI hard. Earnings in 1979 had been Rs. 595 million, but in 1980 ICI lost Rs. 27 million. In 1982, the company earned only Rs. 196 million. This drastic decline in earnings was the result of several factors : a poor world economy, an inflated rupee, the fall of commodity chemical prices and a rise in operating expenses all took their toll. However, an unfocused response to these outside factors also contributed to the problems. by 1982, some of these factors were changing : The rupee was weakening and the world economic picture was brightening. However, many of the underlying problems within ICI were still present and had to be taken care of by ICI's new chairman.

The new chairman wanted to examine the current structure and functioning of the board of directors first. He had three alternatives before him in structuring the management of

ICI : maintain the status quo,

become a holding company, and

make the company more than the sum of its parts through a restructuring of responsibilities. Each alternative offered advantages and disadvantages, but one had to be, chosen. At the time, the company was structured, each board member was responsible for a separate division. Each board member planned for the future of his division and tried to persuade other members to support it. Each member had a vested interest in seeing his or her division receive substantial funds, larger budgetary allocations and the chance to pursue a goal that may or may not be consistent with the goals of other divisions of the organisation as a whole. Each member mapped out a strategy for his or her own division, and no one coordinated the plans. Not surprisingly, conflicting goals were fixed, and self-interest dominated.

One option for change was to become a holding company, whereby the board would give a minimum amount of guidance to each division. Each division would then be expected to contribute a certain amount of profit to be corporation, each would be independently responsible for meeting its profit goal. In large part, the holding company option negated the necessity of an active board of directors.

The final option was to make the board responsible for the overall direction and performance of the company instead of each director managing one division. The board was to set company goals and coordinate divisional goals with it. Day-to-day responsibility was to rest with the president of each division, but the process and decisions were subject to be reviewed by the board.

QUESTIONS

1. **What factors do you feel are important in deciding the structure of the Board of Directors ?**

2. **Which structure is best suited to the organisations ? Why ?**

3. **What process should be followed to have a smooth change in structure if the chairman decides to go for a change ?**

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2. pdf/word in 24-48 hrs

3. Fully Solved with answers