

Chapter 9: implementing strategy through organizational design

[Business](#), [Strategy](#)



Organizational Design - The process through which managers select the combination of organizational structure and control systems that they believe will enable the company to create and sustain a competitive advantage. Coordinate and motivate employees To create value and Obtain a competitive advantage Koontz and O'Donnell The Process School of Management Planning Organizing Staffing Directing Controlling Building blocks of organizational structure Differentiation Vertical - how much authority to delegate Horizontal - how to divide people

Into functions and divisions Integration - coordinate people and functions To accomplish organizational goals and tasks Tall structure (7 - 10 levels) Flat structure (2 - 4 levels) Tall Structure Problems Coordination Information distortion Motivation Too many middle managers McKinsey Consulting Company Increased height of company organization structures Presidents Office President of each division Centralization or Decentralization (tending toward) Decentralization 1. Delegate decision making authority to middle and lower level managers 2.

Adapt to local conditions. Promotes flexibility 3. Fewer managers needed Centralization 1. Facilitates coordination and planning 2. Decisions fit broad organizational objectives Management Policy - Guidelines for decision making are made at highest levels And passed down to lower levels Horizontal Differentiation - How to group tasks and activities to meet strategies Functional Structure - Grouping by expertise. Most U. S. firms have a functional structure Advantages Good place to learn Easy to control Effective and efficient Disadvantages

Geographical diversion causes duplication of people and costs
 Communication problems Measurement problems Location problems
 Strategic problems Product Structure - Group by product line. Product Team structure Matrix Management Concurrent Design Methodology Cross-functional teams Geographic Structure Multidivisional Structure Self-contained product line or business unit (Operating responsibility) Corp headquarters staff. Financial Control. (Strategic Responsibility) Advantages of Multidivisional Structure Enhanced corporate financial control

Strategic control Growth Internal efficiency Disadvantages of a Multidivisional Structure Establish Division-Corporate authority levels GM and Alfred Sloan Litton Industries Distortion of information Competition for resources Transfer pricing (GE example) Focus on short-term High operating costs All functions are in each division Integration and Organizational Control Forms in Integrating Mechanisms 1. Direct contact 2. Interdepartmental liaison roles 3. Temporary task forces - ad hoc committees 4. Permanent teams - standing committees 5. Integrating roles

Differentiation and Integration The Nature of Organizational Control 1. Monitor 2. Evaluate 3. Compare actual to goals 4. Take corrective action
 Strategic Controls Financial controls Stock Sales Growth ROI Profit Output Controls Set Goals Measure output performance against goals Behavior Control - Rules and Procedures Common controls 1. Operating budgets 2. Standardization 3. Rules and procedures 4. Organizational Culture a. Values - beliefs and goals b. Norms - Expectations for behavior Culture and Strategic Leadership Walt Disney example