

Organizational types and types of strategies



INTRODUCTION

There are many factors other than organizational structure that have a significant bearing upon the performance of an organization. However, organizational structure is a particularly important aspect as, if properly designed, it allows the other aspects e. g. strategic work, to function properly. For example, Alfred D Chandler (in Foss, 1997) argues that firm structure follows strategy. That is not to say that, if an organization is inappropriately designed, it will not perform adequately (Walker, 1996).

ORGANIZATIONAL STRUCTURES

All organized human activity give rise to two basic and differing requirements: the distribution of labour into various tasks to be performed, and the coordination of these tasks to complete the activity. The structure of an organization can therefore be defined merely as the sum total of the ways in which its labour is divided into distinct tasks and how its coordination is achieved amongst these tasks (Mintzberg, 1983). To design an effective organizational structure the elements of structure, (the organizations niche, how large it grows, and the methods used to produce) should be selected to achieve an internal consistency, as well as a basic stability with the organization's context (its size, its age, the kind of environment in which it functions, technical systems used and so on) (Mintzberg, 1983). Coordinating an organization engages a range of means. These can be referred to as coordinating mechanisms and are equally concerned with control and communication as coordination. Five coordinating mechanisms appear to explain the basic ways in which organizations coordinate their work: mutual adjustment, direct supervision, standardization of work processes,

standardization of work outputs, and standardization of worker outputs.

Mutual adjustments realize the coordination of work by the simple process of informal communication. Meaning, the control of the work rests in the hands of the doers. Direct supervision attain coordination by having one person in charge for the work of others, issuing them instructions and monitoring their actions. Work can also be coordinated without mutual adjustment or direct supervision, through standardization. Workers that constantly work in a certain way and know what is expected, proceed accordingly. Work processes are standardized when the contents of work are specified, or programmed. Outputs are standardized when the results of the work, for example, the dimensions of the product or the performance, are specified. Skills and knowledge are standardized when the kind of training required to perform the work is specified. As organizational work turns into more complicated activities, the preferred means of coordination seems to shift from mutual adjustment to direct supervision to standardization, preferably of work processes, otherwise of outputs, or else of skills, finally reverting back to mutual adjustment (Mintzberg, 1983).

Figure 1, five basic parts of an organization (Mintzberg, 1983)

As is illustrated in the figure above, Mintzberg (1983) illustrates and describes an organization in five basic parts: Strategic apex, techno structure, middle line, support staff and operating core. The strategic apex mission is to ensure that the organization serve its mission in an effective way, and also that it serve the needs of those who control or otherwise have power over the organization (its owners, government agencies, and unions of

the employees). This involves three sets of duties. First, direct supervision, which is already discussed.

To the degree that the organization relies on this mechanism of coordination, it is the managers of the strategic apex who affect it. They allocate resources, issue work orders, authorize major decisions, resolve conflicts, design and staff the organization, monitor employee performance, and motivate and reward employees.

The second obligation is the management of the organizations relations with its environment such as negotiating major agreements, ceremonial activities and informs the organizations external stakeholders about the organization's activities.

The third set of duties relates to the development of the organization's strategy. Strategy could be seen as an intervening force between the organization and its environment Formulating strategy entail many aspects as will be discussed more in further chapters. However, the managers of the strategic apex should develop an understanding for its environment and try to adapt the strategy to its strengths and needs. Yet, the process of strategy is rather complex and is not as cut and dried as it seems. What should be said is that he strategic apex typically has the most important role in the strategy process. In general the strategic apex takes the widest and most abstract, perspective of the organization. Work at this level is normally characterized by a minimum of repetition and standardization, considerable prudence, and relatively long decision making cycles. Mutual adjustment is a

favoured mechanism for coordination among managers of the strategic apex itself (Mintzberg, 1983).

The strategic apex is united to the operating core by the chain of middle line managers with recognized authority. This chain runs from the senior managers to the first-line supervisors, who have direct authority over the operators, direct supervision. Like the top manager, the middle manager is required to do more than simply engage in direct supervision. He also has boundary conditions to manage. Each middle line manager must maintain liaison contacts with other managers, analysts, support staffers, and outsiders whose work is mutually dependent with that of his own unit. The middle line manager, like the top manager, is concerned with formulating the strategy for his unit, although this strategy is, of course, significantly affected by the overall strategy. But managerial jobs shift in nature as they fall in the chain of authority. They become less abstract and comprehensive and more focused on the work flow itself (Mintzberg, 1983).

In the techno structure the analysts is found who serve the organization by affecting the work of others. The analysts are separated from the direct operative work flow but they may design it, plan it, change it, or train the people to do it, but they do not do it themselves consequently, the techno structure is only effective when it can use its analytical techniques to make the work of others in the organization more efficient. In a fully developed organization, the techno structure might perform at all levels of the hierarchy. At the lowest level of the manufacturing firm, analysts standardize the operating work flow by scheduling production, carrying out time and method studies of the operators work, and instituting systems of quality

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control. At middle levels they try to standardize the intellectual work of the organization. At the strategic apex, they design strategic planning systems and develop financial systems to control the goals of major units (Mintzberg, 1983). If one glance at almost any large organization, a large number of units is exposed, all specialized, and exist to provide support to the organization outside its operating workflow. Those make up the support staff. None is a part of the operating core. Nevertheless, each gives indirect support to these basic missions.

CORPORATE STRATEGY

The operating core of the organization encompasses those members that perform the basic work related directly to the production of products and services. The operators perform four prime functions: They secure the inputs for production, they transform the inputs into outputs, they distribute the outputs and they provide the direct support to the input, transformation, and output functions. The operating core is the heart of an organization, the part that produces the essential outputs that keeps it alive. Yet, all organizations need the administrative components described above as well (Mintzberg, 1983).

Centralized- and decentralized organization

The terms centralization and decentralization have historically been used in many different ways and with different definitions. This thesis discusses the issue of centralization and decentralization in terms of decision making power in organizations. When all power for decision making rests at a single point in the organization, eventually in the hands of one person, one shall call the structure centralized; to the degree that the power is dispersed

among many people, one shall call the structure decentralized. As could be understood, centralization and decentralization should not be thought of as absolutes, but rather as two ends of a scale (Mintzberg, 1983).

Mintzberg (1983) separates the two terms in vertical and horizontal centralization and decentralization. Vertical decentralization is concerned with the delegation of decision making power down the chain of authority, from the strategic apex into the middle line. Horizontal decentralization includes the transfer of power from managers to non-managers, more exactly from line managers to staff managers, analysts, support specialists, and operators.

Strategy

In the complex world of organizations it must be stated that there is no “best way” to generate strategy and strategic management, and nor is there any “one best form” of an organization (Mintzberg, Ghoshal and Quinn, 1998). The context in which the strategy is set is therefore of great interest.

Strategy context and content has been discussed and considered of by mankind, since organizations exist to fulfil a purpose and to create value (Schilling, 2005, De Witt & Meyer, 2005). Strategies are then employed to guarantee that the organizational purpose is realized (De Witt & Meyer, 2005). In the generic literature a split is made between the strategy analysis stage, the strategy formulation stage, and the strategy implementation stage (Thompson & Strickland, 2001; Mintzberg, Ghoshal and Quinn, 1998; De Witt & Meyer, 2005). In the analysis stage, strategists recognize the opportunities and threats in the environment, as well as the strengths and

weaknesses of the organization. Next, in the formulation stage, strategists decide which strategic options that are obtainable to them, evaluate each and select one. Lastly, in the implementation stage, the selected strategic option is translated into a number of actual activities, which are then carried out (De Witt & Meyer, 2005). Those different stages will be discussed and explained further in the sections below. However, as the thesis focus on implementing strategies the analysis and formulating section will not be as vast as the implementing section.

TOYOTA

Toyota management leads the way in many aspects of business strategy and strategic management and numerous companies have followed the lead of the Toyota business model. A key architect of the Toyota management style was Taiichi Ohno, who developed the Toyota Production System. Ohno summed up his theory behind the management of Toyota thus: “ I feel strongly that the word ‘ work’ refers to the production of perfect goods only. If a machine is not producing perfect goods, it is not ‘ working’.”

On that philosophy the Toyota Production System was built, in which sensors halted machines when they started to malfunction. Those machines were operated by the workforce who could likewise halt the production line when imperfections occurred.

The Production System adhered to the Toyota corporate strategy of cutting waste, listing specific advice such as: “ Cut down on the distance that things move throughout the plant.” Another example of this advice, representative

of Toyota strategic management and its attitude towards its workforce is: “ Utilise the inherent talent of your workers.”

Toyota business strategies include the development of hybrid cars. Part of Toyota strategic planning is developing a premium position in hybrids in tune with present consumer values. Seisei Kato of Toyota summed up a further example of the Toyota leadership model by saying: “ Never fail to reward merit, but never let a fault go unremarked.”

All the Japanese triumphs were personified by Toyota, including, of course, the worldwide drive to setting new standards of production engineering that left Detroit far behind. The foundation of the engineers’ breakthroughs was quality. Americans had seen the promise of a new philosophy of raising quality standards by systematic approaches. The pioneering hero, W. Edwards Deming, was credited with exporting these new ideas to Japan. They were just as valid for US use and would have won the same painless rewards. But Detroit didn’t want to know – a wilful ignorance repeated time and again in industry after industry.

The Toyota Production System became the world standard, bringing fame to a simple engineer named Ohno whose pupils demonstrated their methods without any fear of successful imitation from the West.

It was easier; it seemed, to write off the Japanese revolutions as products of a different culture which was inimical to Western ways. That was nonsense. The cultural advantage, put simply, lay in defining what needed to be done and working out better systems of doing it. That included rigorous methods for checking that the task was indeed better designed and done.

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At Toyota, the recalls of cars and vans to check on faulty brakes and accelerators represent a staggering failure of this basic philosophy. There must have been a breakdown in the mental conditioning at the Toyota factories, resulting in design and production faults that were as systemic as the traditional hit-or-miss performance of the Western rivals. Since these are beset by troubles enough of their own, such as GM's sorry bankruptcy, there is no room for self-congratulation.

Toyota's fall isn't just a Japanese incident, but rather a sign that management in general is failing to deliver.

If the management knew about the problems, did it fail to identify the root causes? If the causes had been identified correctly, was the reaction delayed while the company ignored the damage to its market status? If Toyota was capable of timely repair, why wasn't this put in hand? Remember the simple problem-solving rules:

- Identify the task that needs to be done.
- Work out systematically better ways of doing it.
- Employ rigorous methods for checking that the task is better designed and executed.

The Toyota affair emphasises some basic points of management. First, any company, no matter how large and how famous for its merits, can stumble into grave error. Second, damaged pride and nervous fear make it difficult to correct the error in good time. Third, management decisions should normally never be taken on the basis of profit forecasts alone.

RED CROSS

Positioning

We will make sure key people and groups know what we do and why – and how they can help.

By investing more in promoting our work, we will encourage beneficiaries, volunteers, the government, service commissioners, potential supporters, educators and the media to understand us, work with us or join us. We will also speak out more and advocate for change that will improve the lives of vulnerable people and promote our mission.

Organisational development

We will ensure those who use our services, and who support us in other ways, trust us and have confidence in how we work.

We need to clearly demonstrate the difference we make to the lives of people vulnerable to crisis. It is important to us to be accountable to our beneficiaries, supporters and partners. Through doing this we will listen and learn from our beneficiaries, supporters and each other, and continually improve what we do.

Funding the strategy

We will maximise our net income as cost-effectively as possible.

Every donation we receive strengthens our ability to respond to emergencies and help people prepare for and recover from crises. We will inspire more people to support our work by giving what they can, especially through

regular donations, bequests, and the relationships we build with trusts and companies. Our charity shops will continue to provide a place for people to donate and shop on the high street and support our work at the same time.

There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more of a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues and action plans. Organic strategic planning might start by articulating the organization's vision and values, and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning, e. g., appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan (this is true for business planning, too). However, development of the strategic plan greatly helps to clarify the organization's

plans and ensure that key leaders are all “ on the same script”. Far more important than the strategic plan document, is the strategic planning process itself.

Major differences in how organizations carry out the various steps and associated activities in the strategic planning process are more of a matter of the size of the organization than its for-profit/non-profit status. Small nonprofits and small for-profits tend to conduct somewhat similar planning activities that are different from those conducted in large organizations. On the other hand, large nonprofits and large for-profits tend to conduct somewhat similar planning activities that are different from those conducted in small organizations. (The focus of the planning activities is often different between for-profits and nonprofits. Nonprofits tend to focus more on matters of board development, fundraising and volunteer management. For-profits tend to focus more on activities to maximize profit.)

Also, in addition to the size of the organization, differences in how organizations carry out the planning activities are more of a matter of the nature of the participants in the organization — than its for-profit/non-profit status. For example, detail-oriented people may prefer a linear, top-down, general-to-specific approach to planning. On the other hand, rather artistic and highly reflective people may favour of a highly divergent and “ organic” approach to planning.

CONCLUSION

Corporate Strategy – is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is

heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a “mission statement”. Operational Strategy – is concerned with how each part of the business is organised to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, people etc.