

Problem issue statement case study

Business, Company



As the president of the company, the two major problems that I think are facing the company is inflexibility or rigidity in responding to market concentration issues and getting the right leadership which will propel the company based on the current business environmental conditions.

Analysis

As a matter of fact, economic factors play a crucial role in influencing effective demand for goods which is required for the production of such goods, more especially in the recent times. Regrettably, such factors are usually not within the control of our company and their impacts on marketing mix and performance of this company can be intense if the right strategy to deal with such conditions is not put into place. Arguably, based on by analysis, Victoria Heavy Equipment Limited would be influenced by any retard in construction market and may be uncovered to the risks of market concentration. Existences of competitors who have already established their brands are a big threat of price wars. Hence, there is need for me as the president with your assistance as the chairman of the company to develop mechanisms which will make the company strategically well set to deal with such issues whenever they occur.

Additionally, leadership is a very crucial element as far as the performance of an organization is concerned, and our company is never an optional case. Victoria Heavy Equipment Limited has been under you as the chairman and CEO since its establishment. With your experience on business trends in this industry, you have been able to promote the growth of the company to what it is today. Now that you are handing over the leadership of the company to

me as the president, I am sure it will be very challenging to measure up to your standards; which explains why I am anticipating for some leadership problems if the right leadership structure is not put into place. Actually, the major contributory factor to the current strategic and organizational challenges facing the company is the reorganization that took previously, which never solved this important issue more especially during the period when you temporarily handed over the leadership of the company to another leader. As such, it is my proposal for the right leadership structure to be implemented to enhance better performance of the company in all perspectives in your absence.

In this case, I propose for the application of the congruence model. According to this model, the entire company will be taken as being a total system. This is based on the fact that the company is open to social system as well as dynamic. Thus, for this company to be effective, we have to ensure that its subparts are always structured and managed appropriately. Moreover, all the components of the system have to go hand in hand with each other. This is to say that, the structure, strategy as well as people must be linked in all perspectives. Notably, application of congruence model will also help as to deal with important issues affecting the workforce. For example, it is evident that motivation of employees of our company is not at the expected levels. Therefore, this model will help us in improving employee motivation in the attempt to boost the performance of the company. Besides, as we are trying to change the company to fit in the current business conditions, the model will be very helpful for us in implementing new work culture.

Additionally, the model will also be helpful for us in introducing a new compensation scheme for the employees.

Alternatives

For us to address the above problems facing Victoria Heavy Equipment Ltd, as the president of the company I propose various courses of actions to be undertaken. These actions will include; changing the organizational structure, changing leadership style, implementing a new growth strategy, as well as decentralization of the organization at a later stage.

Organizational structure

Notably, organizational structure is never a state that avoids occurrence of problems but a problem solving tool. Moreover, if an organization has the right structure, implementation of strategies will not be challenging. As a matter of fact, there are various organizational structures that can be adopted by an organization depending on the environment in which the organization is operating in. Perhaps, the best structure that can be applied in Victoria Heavy Equipment is the functional structure. Implementation of this structure implies that, the company will be will be organized to comprise of grouping of employees into functional departments such as sales, production, marketing, accounts, and purchasing. Thus, there is some degree of specialization and division of labor among the workforce in the various functional structures.

Thirdly, it allows for centralization. In this case, this structure will allow us, as the top management, to make overall decisions concerning the company; hence, as the president and you as the chairman, we will be in full control of

the company in terms of decision making. Fourthly, this structure will promote efficiency in terms of resource use. This can be explained by the fact that each department will be comprised of experts who are efficient in a particular line. Besides, allocation of resources between the various departments will be easy. Lastly, functional structure will promote team-work in the company, due to the fact that members of each department will be working towards achieving a common – goal in their department.

However, it is important for you to note that this structure has its disadvantages as well. For instance, poor coordination and communication may arise between the departments which may bar smooth flow of information in the company. There is also the possibility of losing a clear responsibility for delivering products, as well as sluggish innovation reaction towards environmental changes. Lastly, overspecialization of members of a certain functional department may lead to development of self-centered attitude and narrow viewpoints, which might contribute to losing the total perspective of the system.

Leadership

For the functional structure to work better in this case, organizational leadership will also have to change. The best leadership style that I think will be best applicable in the company is functional leadership. Functional leadership model is never concerned with who does the leading, but rather how leadership takes place. Thus, each and every department will be headed by an individual who is an expert in that given area. Thus, the major obligation of the leaders in this case will be to supervise a group to

undertake a given assignment at the same time promoting team work as well as enhancing satisfaction of the needs of the individual group members. Thus, the leader will be dedicating his time to three areas: the team, assignment or task, and individuals. Based on the expectancy theory, this kind of leadership will be very helpful in addressing organizational behavior. For example, since the functional leaders will be working closely with the employees, they will understand their needs, desires as well as their personal goals and how they can be influenced to be in line with the objectives of our company.

Arguably, functional leadership will be best applicable in this case based on its merits. It is important for you to note that, there will be some kind of hierarchical structure in the organization on the implementation of the functional structure as mentioned above. Thus, one of the advantages of this kind of leadership is that it will be easy for us to delegate duties. As the top management, we will be delegating different duties to different leaders in the various departments. This will promote efficiency in the leadership of the company; thus, eradicating the current leadership challenges. Another advantage is that, it will be easy to make adjustment on departmental plans when necessary. At times it might be necessary for us to make some changes in the plans of the company. This changes can be efficiently undertaken by the functional managers based on the expertise they possess in that particular field.

Thirdly, functional leadership is does better when it comes to maintaining standards of the company. Generally, the standards of the company will be

maintained based on the fact that each functional leader will be monitoring standards set in his/her department. Lastly, functional leadership is vital in enhancing employee motivation. Arguably, functional leaders will be working closely with the workforce; thus, according to the expectance theory, the leaders will be in a position to understand them better. Moreover, one of the roles of the functional leaders is to attend to individual needs of employees of the group. This is one of the ways that employee motivation can be enhanced within the company.

Regrettably, functional leadership has its drawbacks also. For instance, competition may emerge between various functional leaders which might not be healthy for our company. One of the disadvantages of competition among the various departments is that some departments may regard themselves as being more superior to others; hence, creating unfavorable relationship in the company. Another challenge of this kind of leadership is that, there might be a disconnection of the top management with the field leading to less appreciation of the workforce. Lastly, decision making challenges may arise in the company. As mentioned early, departmental leaders are given some powers to make decisions that falls under their area of operation. Thus, it might be difficult for the top management to control the decisions that are made by the junior managers which could contribute poor company performance.

Growth strategy

One of the problems that Victoria Heavy Equipment Ltd is facing is lack of a clear growth strategy in the current environmental conditions. Arguably, the

best strategy that should be implemented to promote expansion or rather growth of the company is vertical integration manufacturing of one product. In this context, vertical integration can be defined as expanding the company to diverse points of the same production course. This kind of integration can occur in two ways: backward integration which involves the company acquiring its own inputs and forward integration, which involves a company acquiring its distribution chains.

Secondly, this strategy will contribute to a reduction of transaction costs. Arguably, this will be the case as the company will be dealing with subsidiary companies with central communication system as well as central management, which is relatively cheaper. The third benefit of this strategy is facilitating investment in specific assets in which downstream or upstream players may not be willing to venture into. Lastly, there will be an increase in the economies of scale, which could eventually lead to overall reduction in production costs. Besides, this could also be used to control competition through predatory pricing.

However, this strategy has some drawbacks as well. For instance, it might lead to higher organizational and monetary costs. Notably, a big organizational structure may result by implementing this strategy which contributes to an increase in management costs. Moreover, the size of the company is likely to increase as compared to its current size. This implies that, management inefficiencies are likely to occur in the future which would negatively affect the company.

Decentralization

For the vertical integration strategy to work effectively, decentralization of the company should be undertaken. In this context, decentralization is used to refer to spreading decision making powers throughout the organization, with departmental managers making decisions concerning issues falling under their area of operation without necessarily consulting the top management. To be more specific, this is an attempt to reduce confining decision making powers to a few top management individuals. However, for decentralization to work better in this case, some limits should be made. For example, the lower-level managers should not be given authority of making decisions. This will enable the top management to have some control in general decision making within the company.

As mentioned above, functional organizational structure will be preferable in this case. Thus, in order to identify the true performance of the company decentralization will be necessary. Functional managers will be reporting to the representatives of the specific departments, who then coordinate with other departmental representatives in making the final report which is to be presented to the top management.

Various advantages will be attained by decentralizing the company. One of the benefits of decentralization is that the top management will have time to focus on higher decision making, strategy and coordination of activities, by delegating the duties of solving day-to-day problems solving to the lower-rank managers. The other benefit of decentralization is that it promotes motivation. According to research, it has been proved that the structure of

an organization as an influence on the workforce. This is based on the claim that decentralization smoothes the progress of communication, delegation and participation which fosters motivation for higher productivity. Facilitation of diversification is another benefit of decentralization. Undeniably, departmentalization of an organization based on products boosts product diversification even in the case of a centralized authority. Moreover, it allows managers at the lower level to apply their skills and experienced judgment.

Thus, it will be more beneficial for Victoria Heavy Equipment Ltd to implement decentralization policies, more especially after the implementation of the proposed growth strategy.

However, decentralization has its weaknesses as well. For instance, coordination problems may arise within the organization due to lack of concentrated decision-making authority. Besides, this policy may sometimes contribute to an increase in the administrative expenses; more especially if training of managers is needed. Lastly, decentralization may result to inconsistency in the company. For instance, different policies may be followed for a similar type of work in different departments.

Recommendations

Based on the prevailing conditions, my first recommendation is the implementation of the change of organizational structure or rather restructuring. Perhaps, the best structure to be implemented in this case is the functional structure. Restructuring of the company should be the first step as the implementation of other alternatives and strategies will be based on the structure. According to the congruence model, people, strategy and

structure of the company should work closely together in order to enhance better performance. However, for better performance to be attained, the right organizational structure should be in place to boost better working of people in executing the intended strategy. Thus, organizational structure acts as the foundations of the implementation of the expected changes. Even though this strategy has some drawbacks, it is clear that its merits are more beneficial to the company as compared to these drawbacks. For instance, the structure will allow centralization of power allowing us as the top management to solely make crucial decisions that will propel the growth of the company. However, we may undertake decentralization at the later stages when eventually the company expands after vertical integration, to reduce the cons of centralization in a large organization. Hence, a change in the way of operations in the company to embrace the new structure should be expected after restructuring.

My second recommendation is the immediate change in the leadership style of the company. As mentioned previously, the best leadership alternative that can be applied for Victoria Heavy Equipment Ltd is functional leadership. This type of leadership will be in line with the restructuring option that I have proposed for effective implementation of the intended growth strategy. Notably, there are a number of benefits that we are likely to achieve by implementing this leadership model. For instance, after restructuring there will be some kind of hierarchical arrangement in this company. Functional leadership will ensure that there is efficiency in management by creating some degree of accountability. For instance, even though decision-making will be concentrated on the top management of the company, in this case

the president, delegation of this powers will be easy. Moreover, monitoring of the delegated duties will be easy basically because the top management is always supervising the lower level managers. Additionally, functional leadership will facilitate specialization within the company which acts as one of the factors that boosts workforce motivation.