

Designing effective organizations

Design



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A range of theories describing the structures and strategies that lead to successful organizations are included in this report. Examples of case studies were also taken from the recommended text book. All organizations need structures and strategies in order to operate systematically. The organizational structures strategies can be used by any organization if it fits into the nature and the maturity of the organization. The Organizational Structures that were described in this report consisted of: Functional Model Divisional Model Matrix Model Mechanistic Organization Vs. Organic Organization

Whereas the Strategies that were described in the context consisted of: Porter's Five Forces Model Miles and Snows Model Differentiation Model Cost Leadership Model However, all these theories put together in practice helps an organization become more successful in meeting its vision, mission, goals and objectives. The models mentioned below help the organization produce goods and services efficiently, use modern manufacturing and information technologies, create value for owners, customers and employees etc.

Table of Contents 1. 1 Introduction to the Assignment As most successful organizations have well designed structures and strategies, using a range of theories, the task of this assignment is to describe the structures and strategies that make organizations successful. We should use examples from the case studies and/or the textbook to support our answer. 1. 2 What is an Organization? An organization is a social unit of people that are structured and managed to meet a need or to pursue collective goals.

All organizations have a management structure that determines relationships between the different activities and the members, and subdivides ND assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems. They affect and are affected by their environment (Objectifications, 2013). Organizations as diverse as a bank, a corporate farm, a government agency, and Xerox Corporation have characteristics in common. Xerox company's deterioration is a classic story of organizational decline.

Although Xerox appeared to fall almost overnight, the organization's problems were connected to a series of organizational blunders over a period of many years. The definition used in the text book to describe organizations is as follows: organizations are (1) social entities that (2) are goal-directed, (3) are designed as deliberately structured and coordinated activity systems, and (4) are linked to the external environment (Richardson, 2010). In simple terms, an organization is a group of people working towards a common vision and mission in order to achieve their goals and objectives by improving on their efficiency and effectiveness.

Figure 1 Source: Lecture Slides Finally, organizations have to cope with and accommodate today's challenges of workforce diversity and growing concerns over ethics and social responsibility, as ell as find effective ways to motivate employees to work together to accomplish organizational goals. (Richardson, 2010) 2. Structures Organizational Structures Any operating organization should have its own structure in order to operate efficiently. For an organization, the organizational structure is a hierarchy of people and its functions which is affected by the external and internal environments.

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In the Case of Aquarius Advertising Agency, The need for reorganization was made more acute by changes in the environment. Within a short period of time, there was a rapid turnover in the major accounts handled by the agency. It was typical for advertising agencies to gain or lose clients quickly, often with no advance warning as consumer behavior and lifestyle changes emerged and product innovations occurred (Richardson, 2010). The organizational structure of an organization tells you the character of an organization and the values it believes in.

Therefore, when you do business with an organization or getting into a new job in an organization, it is always a great idea to get to know and understand their organizational structure. Organizations tend to adopt one of the following structures for management purposes. Although the organization follows a particular structure, there can be departments and teams following some other organizational structure in exceptional cases. Sometimes, some organizations may follow a combination of the following organizational structures as well.

Following are the types of organizational structures that can be observed in the modern business organizations (Transportations, 2013).

- 1 Functional Structure The organization is divided into segments based on the functions when managing. This allows the organization to enhance the efficiencies of these functional groups. As an example, take a software company. Software engineers will only staff the entire software development department. This way, management of this functional group becomes easy and effective.

Functional structures appear to be successful in large organization that produces high volumes of products at low costs. The low cost can be achieved by such companies due to the efficiencies within functional groups. In addition to such advantages, there can be disadvantage from an organizational perspective if the communication between the functional groups is not effective. In this case, organization may find it difficult to achieve some organizational objectives t the end (Transportations, 2013).

Figure 2 Source: [http://www. Transporting. Com/management_concepts/organizational_structures. HTML](http://www.Transporting.Com/management_concepts/organizational_structures.HTML) These types of organizations divide the functional areas of the organization to divisions. Each division is equipped with its own resources in order to function independently. There can be many bases to define divisions. Divisions can be defined based on the geographical basis, products/services basis, or any other measurement. As an example, take a company such as General Electrics. It can have microwave division, turbine division, etc. And these divisions have their own marketing teams, insane teams, etc. In that sense, each division can be considered as a micro- company with the main organization

(Transportations, 2013). Figure 3 Source: [http://www. Transportations. Com/management_concepts/](http://www.Transportations.Com/management_concepts/) 2. 3 Matrix Structure When it comes to matrix structure, the organization places the employees based on the function and the product. The matrix structure gives the best of the both worlds of functional and divisional structures. In this type of an organization, the company uses teams to complete tasks.

The teams are formed based on the functions they belong to (ex: software engineers) and product they are involved in (ex: Project A). This way, there

are many teams in this organization such as software engineers of project A, software engineers of project B, QUA engineers of project A, etc. Figure 4 2.

4 Mechanistic Organization Structure Vs. Organic Organization

For the most part, mechanistic organization is applied to most all business structures but is predominant in manufacturing while organic organization is best applied to businesses that apply a more open business structure such as online business platforms.

Mechanistic Organization According to Blacks Law Dictionary mechanistic organization is " the organization is aerographical and bureaucratic. It is characterized by its (1) highly centralized authority, (2) formalized procedures and practices, and (3) specialized functions. Mechanistic organization is relatively easier and simpler to organize, but rapid change is very challenging. Contrast to organic organization. " Characteristics: Employees are found to work separately and on their own assigned tasks. There is a definite chain of command and decisions are kept as high up the chain as possible.

Communication is a process between managers and supervisors up to executives, there is little daily interaction if any. There are strict company policies or operating standards with an abundance of documentation. This structure is considered the more stable of the two structures. Structure: Companies in a mechanistic organization structure typically hold tight control, over processes and employees; with an iron fist so to speak. Rules are implemented and rarely deviated from while there is also a very clear chain of command to delegate responsibilities and power throughout the organization.

Again, it is manufacturing companies that are well known for this type of structure but there are other groups that benefit from Organic Organization According to Objectifications. Com, organic organization is characterized by "(1) Flatness: communications and interactions are horizontal, (2) Low specialization: knowledgeableness wherever it is most useful, and (3)Decentralization: great deal of formal and informal participation in decision making. " Characteristics: Employees are often found working in groups and share input on tasks.

There are usually teams that handle one task. Communication is open between employees, managers and executives though they are typically just known as the owner'. There is a greater scale of verbal communication between parties. There is also more face-to-face time within the hierarchy of power. Structure: Companies in an organic organization structure typically have a more open communication and contribution to tasks at hand. The structure of the business is more adaptable and flexible to changes.

The environment is unpredictable but because of the freedom afforded the employees and management it is better maintained. Good examples of this type of structure would be Google and the coveted positions that lie within the Facebook Corporation. Organic organizations have quickly realized that a happy workplace makes for a happy employee. 3. Strategies A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem (Objectifications, 2013) In short, a strategy is a plan for interacting with the competitive environment.

In the sass, quality was the cornerstone of Frank Purdue's successful marketing be enough. Today's customers expect-? even demand-? all products to be high quality. Thus, Purdue Farms plans to use customer service to further differentiate the company- Case Analysis- Purdue Farms Inc: Responding to the 21st century halogens. (Richardson, 2010). The focus will be on learning how to become indispensable to the customer by taking cost out of the product and delivering it exactly the way the customer wants it, where and when the customer wants it.

In short, as Jim Purdue says, " Purdue Farms wants to become so easy to do business with that the customer will have no reason to do business with anyone else" (Richardson, 2010). 3. 1 Porter's five forces model Porter's five forces model helps in accessing where the power lies in a business situation. Porter's Model is actually a business strategy tool that helps in analyzing he attractiveness in an industry structure. It let you access current strength of your competitive position and the strength of the position that you are planning to attain (Knottiest, 2009).

Porters Model is considered an important part of planning tool set. When you're clear about where the power lies, you can take advantage of your strengths and can improve the weaknesses and can compete efficiently and effectively (Knottiest, 2009). Porter's model of competitive forces assumes that there are five competitive forces that identifies the competitive power in a business situation. These five nominative forces identified by Porter are:

Figure 5 Source: <http://knottiest.Com/WAP-content/uploads/2009/04/porters-five-forces-model.jpeg> I. Threat of substitute products II.

Threat of new entrants III. Intense rivalry among existing players 'V.

Bargaining power of suppliers V. Bargaining power of Buyers Threat of substitute products means how easily your customers can switch to your competitors product. Threat of substitute is high when: There are many substitute products available Customer can easily find the product or service that you're offering at the same or less price Quality of the competitors' product is better Substitute product is by a company earning high profits so can reduce prices to the lowest level.

In the above mentioned situations, Customer can easily switch to substitute products. So substitutes are a threat to your company. When there are actual and potential substitute products available then segment is unattractive. Profits and prices are effected by substitutes so, there is need to closely monitor price trends. In substitute industries, if competition rises or technology modernizes then prices and profits decline. A new entry of a competitor into your market also weakens your power. Threat of new entry depends upon entry and exit barriers.

Threat of new entry is high when: Capital requirements to start the business are less Few economies of scale are in place Customers can easily switch (low switching cost) differentiated There is variation in attractiveness of segment depending upon entry and exit barriers. That segment is more attractive which has high entry barriers and low exit barriers. Some new firms enter into industry and low performing companies leave the market easily. When both entry and exit barriers are high then profit margin is also high but companies face more risk because poor performance companies stay in ND fight it out.

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When these barriers are low then firms easily enter and exit the industry, profit is low. The worst condition is when entry barriers are low and exit barriers are high then in good times firms enter and it become very difficult to exit in bad times. III. Industry Rivalry Industry rivalry means the intensity of competition among the existing competitors in the market. Intensity of rivalry depends on the number of competitors and their capabilities. Industry rivalry is high when: There are number of small or equal competitors and less when there's a clear market leader.

Customers have low switching costs Industry is growing Exit barriers are high and rivals stay and compete Fixed cost are high resulting huge production and reduction in prices These situations make the reasons for advertising wars, price wars, modifications, ultimately costs increase and it is difficult to compete. IV. Bargaining power of suppliers Bargaining Power of supplier means how strong is the position of a seller. How much your supplier have control over increasing the Price of supplies. Suppliers are more powerful when Suppliers are concentrated and well organized a few substitutes available to supplies

Their product is most effective or unique Switching cost, from one suppliers to another, is high You are not an important customer to Supplier When suppliers have more control over supplies and its prices that segment is less attractive. It is best way to make win-win relation with suppliers. It's good idea to have multi-sources of supply.