Learning Outcomes

• Evaluate different organisation structures
• Analyse resources for executing strategies
• Discuss the balanced scorecard
Organisational Structure

- Organisational structure describes:
  - Who is responsible for what
  - Patterns of communication and knowledge exchange
  - Skills required to move up the organisation

- Types of structure
  - Emphasis on structural dimensions
    - Functional; Multidivisional; Holding
    - Matrix; Transnational; Team; Project
Organisation Design

- Challenges shaping structure
  - Organisational size
  - Extent of diversification
  - Type of technology
  - Control
  - Change
  - Knowledge
  - Globalisation
A Functional Structure

Advantages
- Chief executive in touch with all operations
- Reduces/simplifies control mechanisms
- Clear definition of responsibilities
- Specialists at senior and middle management levels

Disadvantages
- Senior managers overburdened with routine matters
- Senior managers neglect strategic issues
- Difficult to cope with diversity
- Co-ordination between functions difficult
- Failure to adapt

Exhibit 8.2
A Multidivisional Structure

Exhibit 8.3

Advantages
- Flexible (add or divest divisions)
- Control by performance
- Ownership of strategy
- Specialisation of competences
- Training in strategic view

Disadvantages
- Additional costs of the centre
- Duplication at divisional level
- Fragmentation and non-co-operation
A Multinational Matrix Structure

Exhibit 8.4a
Multinational Structures

Exhibit 8.5

Team-based Structure

• Combines both horizontal and vertical co-ordination through cross functional teams

• Often built around business processes

• Contains mixture of specialists

• Advantages
  – Good for knowledge sharing
  – Flexible
  – Highly motivated

• Disadvantages
  – Complexity
  – Difficulties of control
  – Problems of scaling up
Project-based Structure (1)

- Teams created, undertake the work, then dissolved
- For large expensive items or limited time events
- Constantly changing organisational structure
  - Collection of project teams
  - Created and steered by small corporate group
- Set up ad hoc taskforces
  - for new elements of strategy
  - to provide momentum
Project-based Structure (2)

• Advantages
  – Flexible
  – Good accountability and control (clear tasks/defined time)
  – Effective knowledge exchange
  – Attract international members due to short project times

• Disadvantages
  – Possible lack of coordination
  – Proliferation of projects
  – Breaking up teams hinders knowledge accumulation
Strategic Planning

Exhibit 8.11
Strategic Control

Exhibit 8.13
‘Joined up’ services: Smoothing the Network

Exhibit 8.14

(a) One-stop shop

(b) Service network
Exhibit 9.13 The six building blocks of organisations

Exhibit 9.14  Reinforcing cycles: two examples
The Shamrock Organisation

(Handy, 1989)
Strategy and Structure

• ‘Structure follows strategy’ (Chandler 1962)
  – Adapt the organisation according to the strategy

• ‘Strategy follows structure’ (Hall & Saias 1980)
  – Existing organisational structure determines strategic opportunities

• ‘Structure follows strategy as the left foot follows the right’ (Mintzberg 1990)
  – Reciprocal relationship
Enabling strategic success

Organisational strategies

People
Information
Finance
Technology
Strategy and People

Exhibit 9.2

People as a resource
- Personal and organisational competences
- Performance management

People and behaviour
- Personal behaviours
- Collective behaviour

Organising people
- HR function
- Line managers
- Structures and processes
Strategy and Information

Information and strategic capability
- Improved products/services
- Competitive performance
- Robustness/imitation

Information and business models
- Electronic processing
- Extended functions
- New functions

Information and structuring
- Devolved models
- Bypassing ‘gatekeepers’
Financial Expectations of Stakeholders

• Institutional shareholders
  – Pressures to maximise short term earnings

• Bankers (loan providers)
  – Risk and competence

• Suppliers and employees
  – Good prices and liquidity

• Community
  – Jobs and social costs

• Customers
  – Best-value
Strategy and Technology

Technology and the competitive situation
- Competitive forces
- Technology diffusion

STRATEGY

Technology and strategic capability
- Core competences
- Developing/acquiring technology

Organising technology
- Location and funding
- Enabling processes
### The Balanced Scorecard – An Example

#### Financial perspective

<table>
<thead>
<tr>
<th>CSF*</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survival</td>
<td>Cash flow</td>
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</table>

#### Customer perspective

<table>
<thead>
<tr>
<th>CSF*</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service (standard products)</td>
<td>● Delivery time</td>
</tr>
<tr>
<td></td>
<td>● Maintenance response time</td>
</tr>
</tbody>
</table>

#### Internal perspective

<table>
<thead>
<tr>
<th>CSF*</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT systems development</td>
<td>Performance per £ invested (vs. competitors)</td>
</tr>
<tr>
<td>● Features</td>
<td></td>
</tr>
<tr>
<td>● Cost</td>
<td></td>
</tr>
</tbody>
</table>

#### Innovation and learning perspective

<table>
<thead>
<tr>
<th>CSF*</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service leadership</td>
<td>● Speed to market (new standards)</td>
</tr>
<tr>
<td></td>
<td>● Speed of imitation (robustness)</td>
</tr>
</tbody>
</table>

* CSF = critical success factor
An Example of a Strategy Map

Adapted from (Polkinghorne, Petford and Manville 2008)
Further Reading

- Core Reading as stated in the Blue Book Lecture Schedule
- Six Sigma Paper Antony et al. (2008)
Thank you
and
Any Questions?

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