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Strategic Management

Organising & Enabling

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January 2012

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Learning Outcomes

- Evaluate different organisation structures
- Analyse resources for executing strategies
- Discuss the balanced scorecard

Organisational Structure

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- 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

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

A Functional Structure

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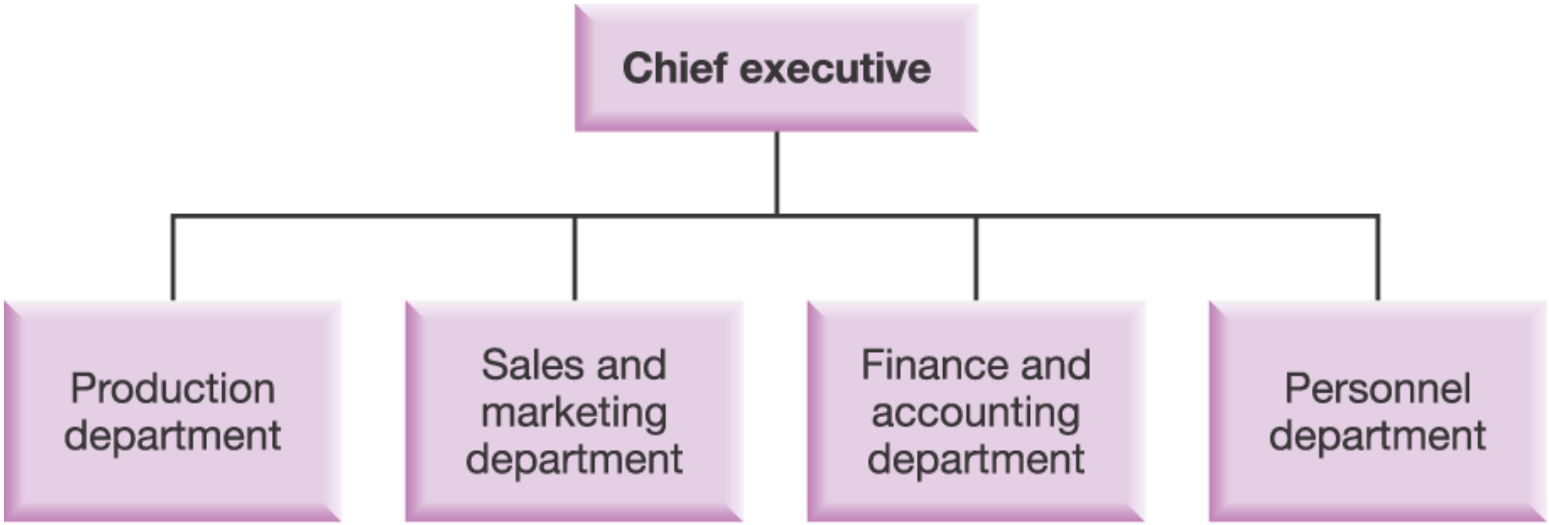

Advantages

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

Disdvantages

- 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

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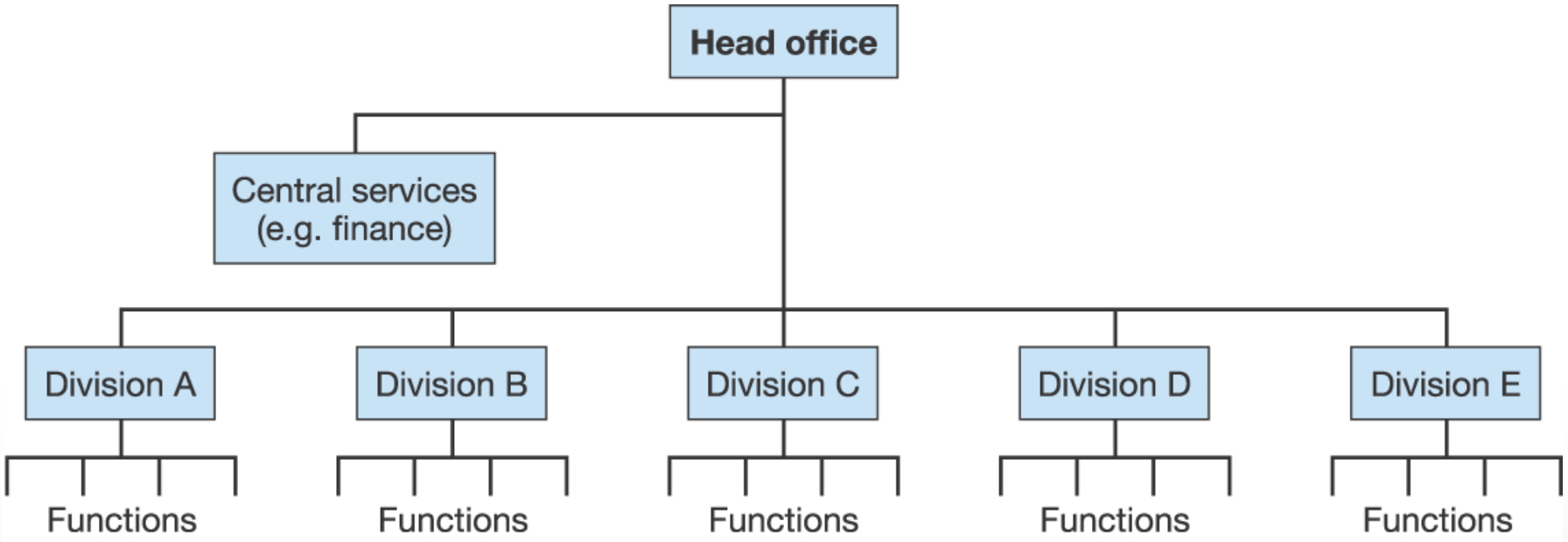

Advantages

- 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

Exhibit 8.3

A Multinational Matrix Structure

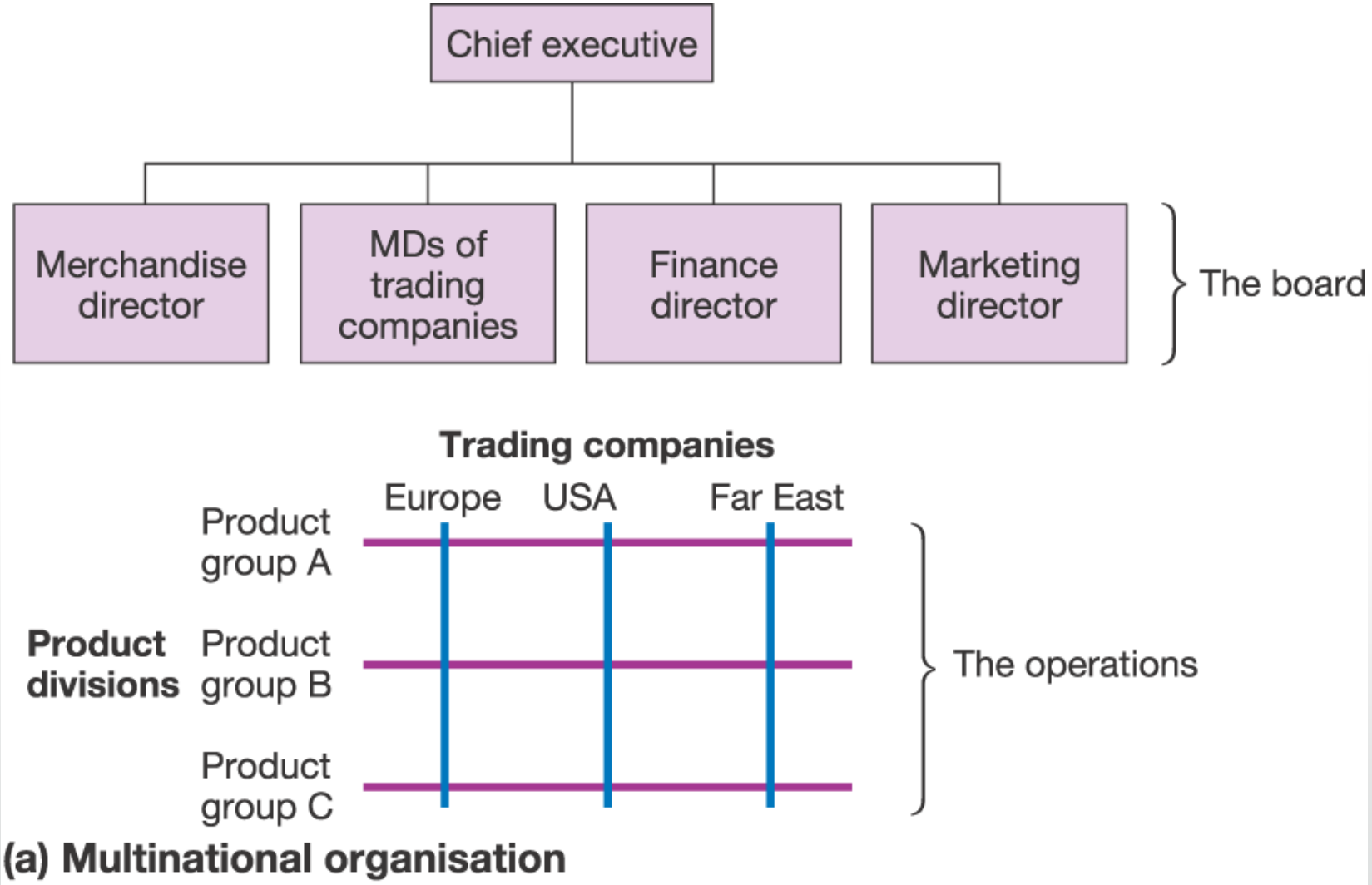

Exhibit 8.4a

Multinational Structures

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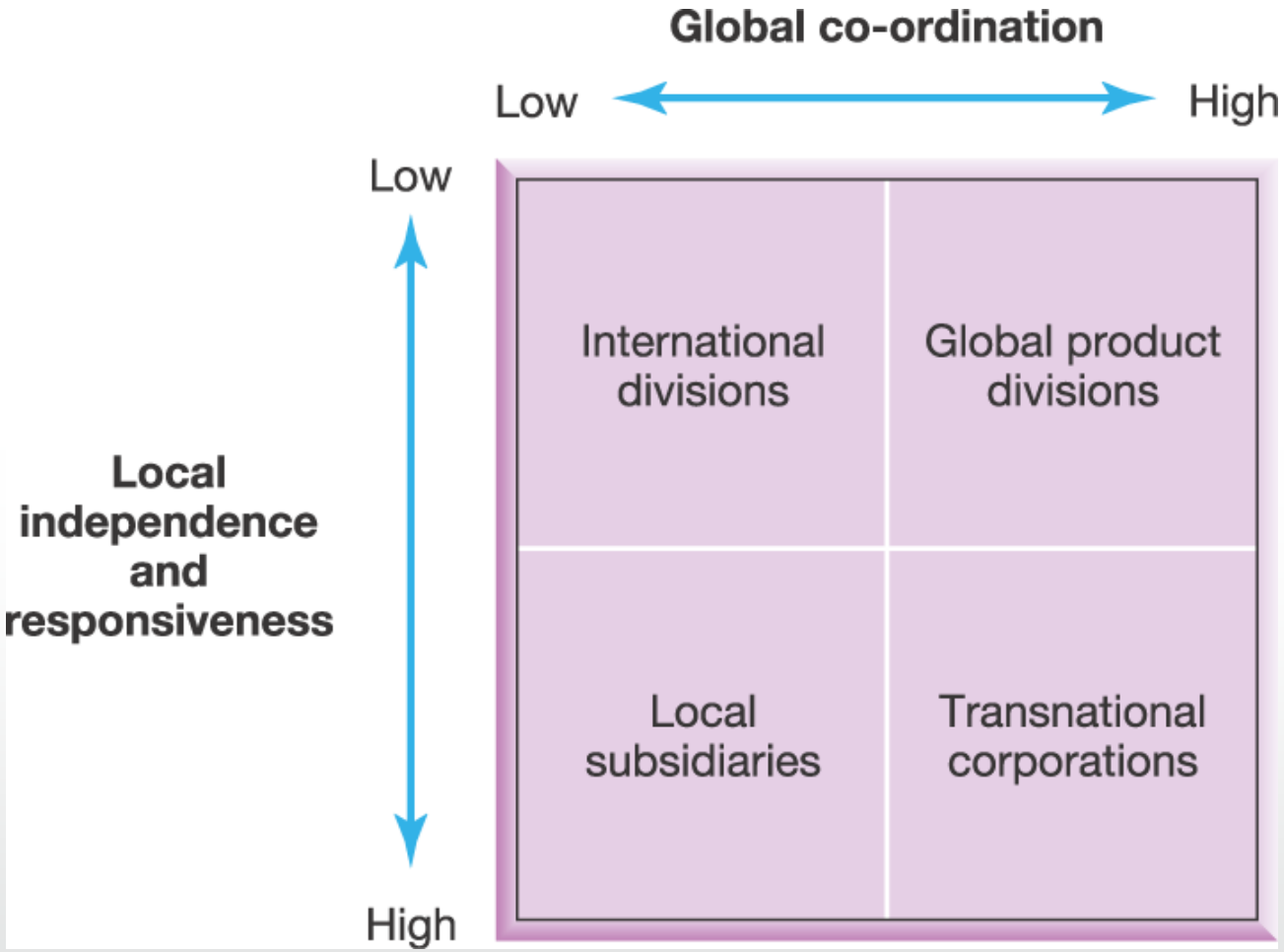

Source: Reprinted with permission of Harvard Business School Press. Adapted from C. Bartlett and S. Ghoshal, *Managing Across Borders: The transnational corporation*, 2nd edition, Random House, 1998. Copyright © 1998 by the Harvard Business School Publishing Corporation; all rights reserved.

Exhibit 8.5

Team-based Structure

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- 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)

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- 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)

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- 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

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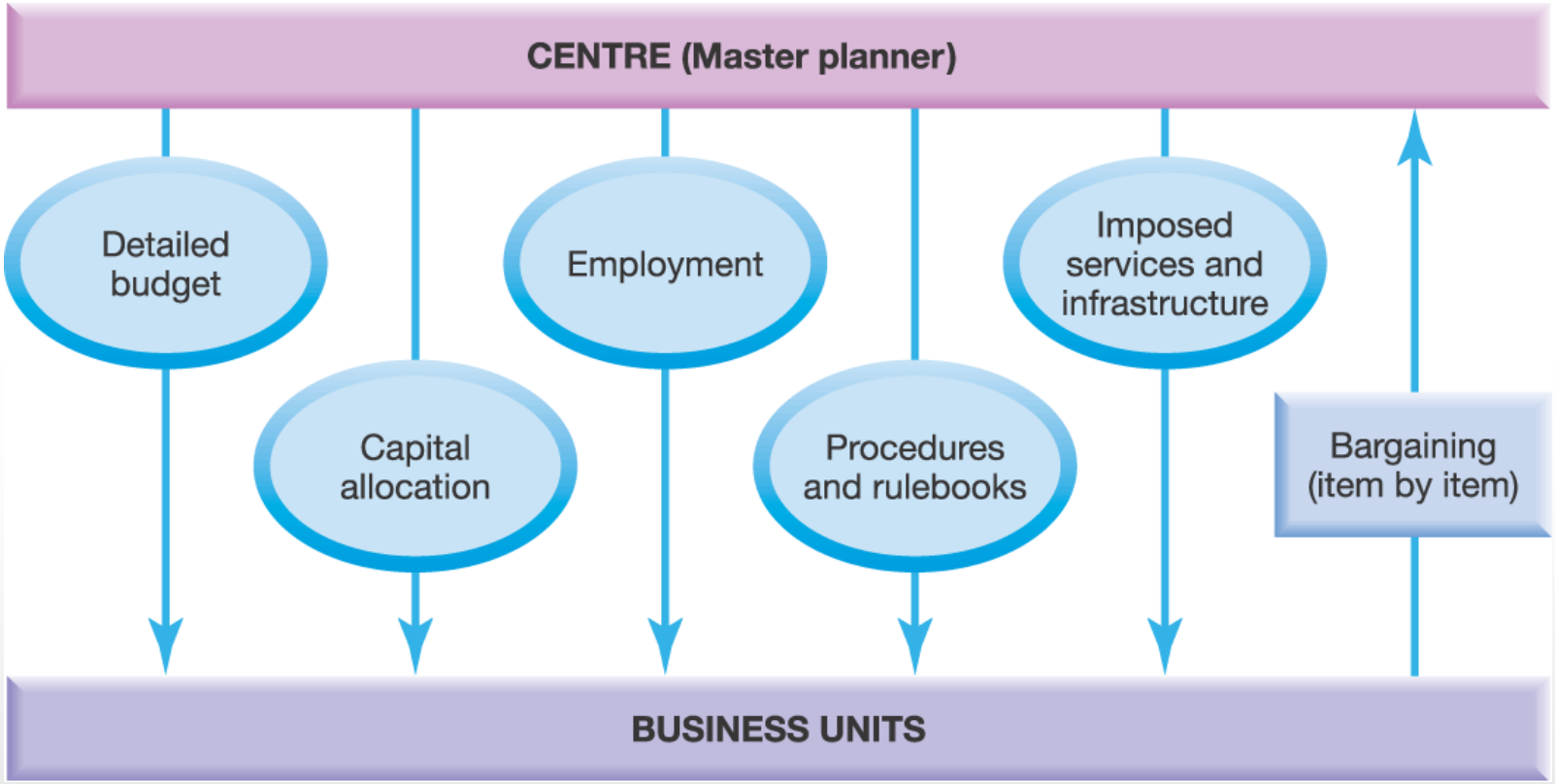

Exhibit 8.11

Financial Control

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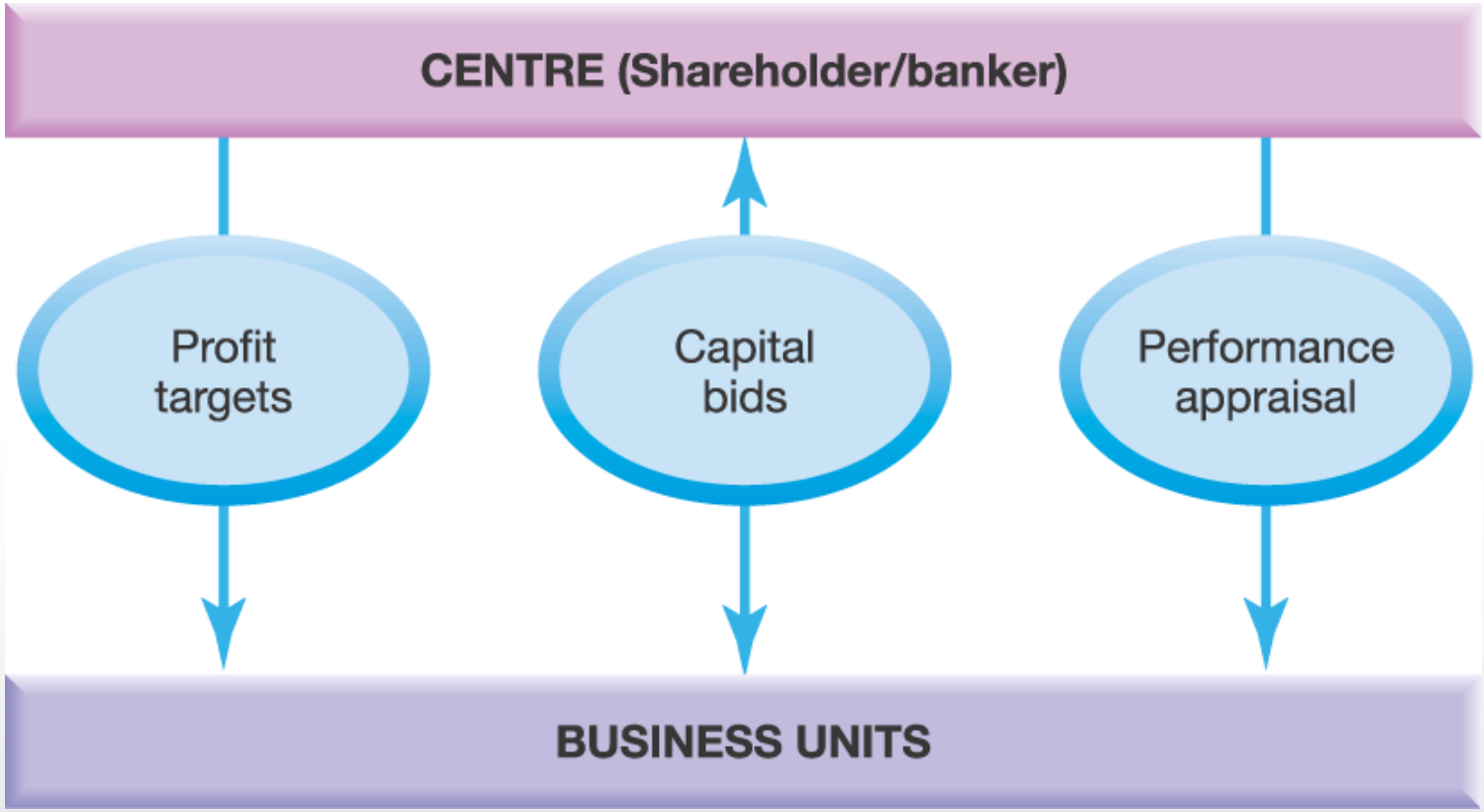

Exhibit 8.12

Strategic Control

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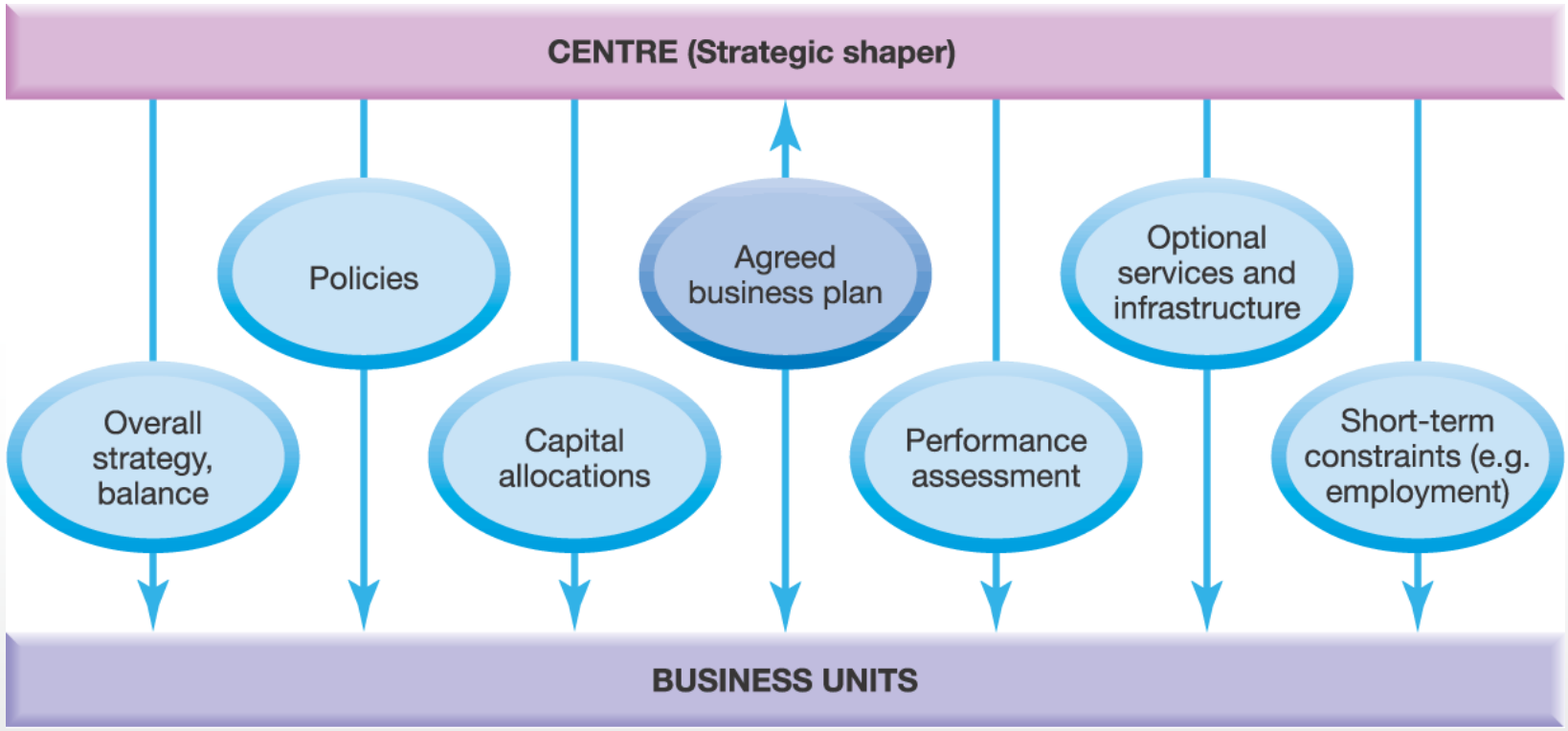


Exhibit 8.13

'Joined up' services: Smoothing the Network

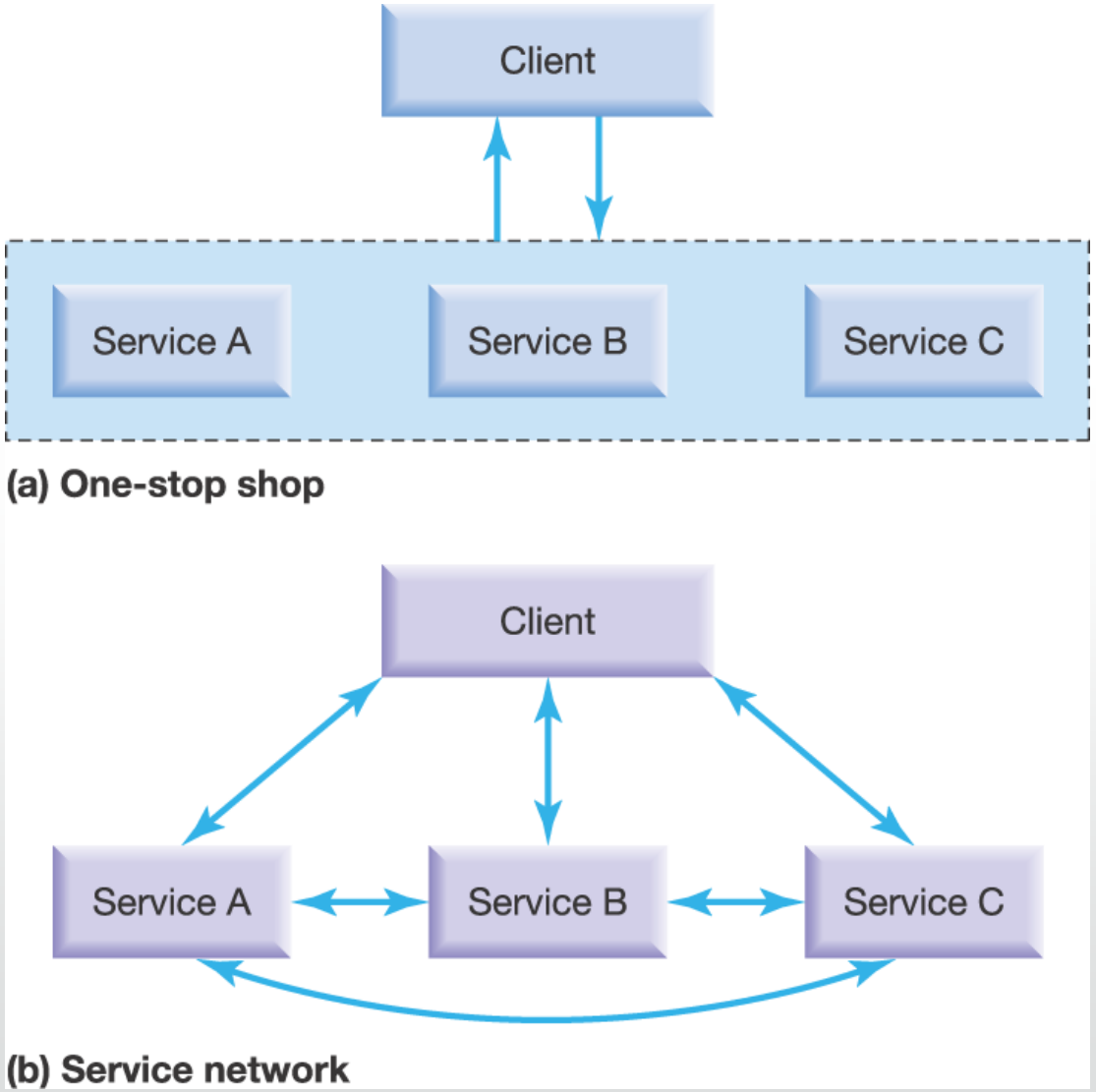


Exhibit 8.14

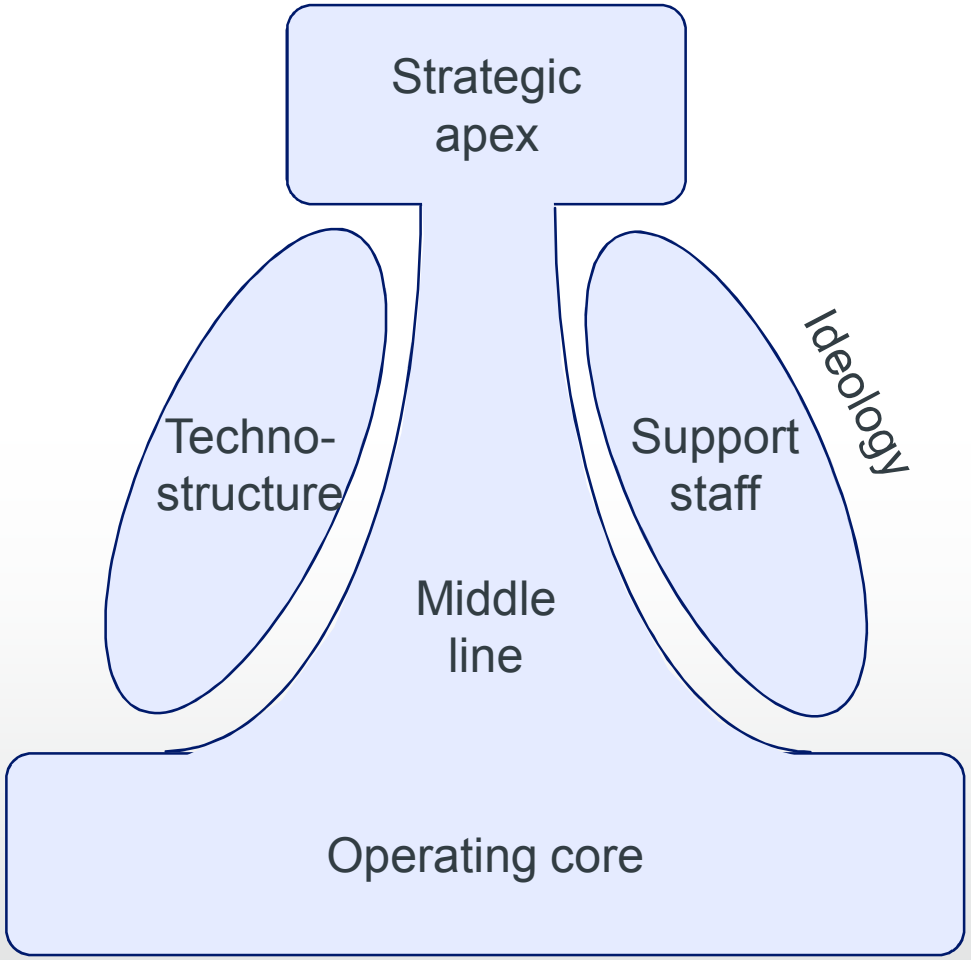
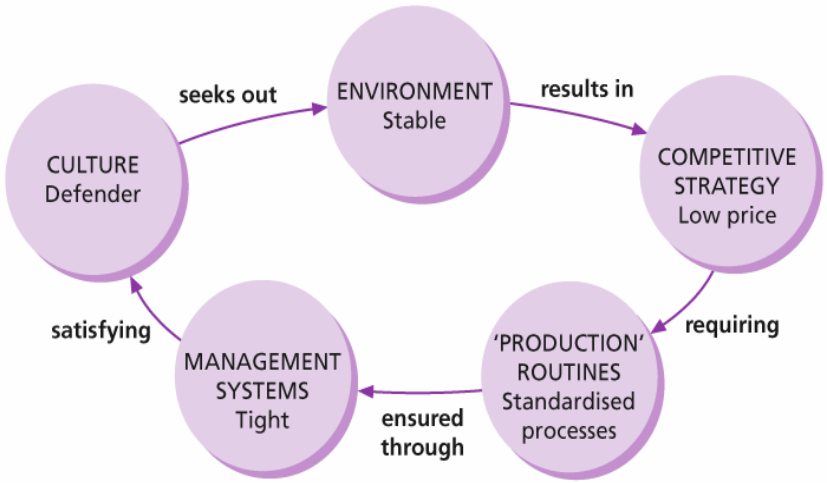
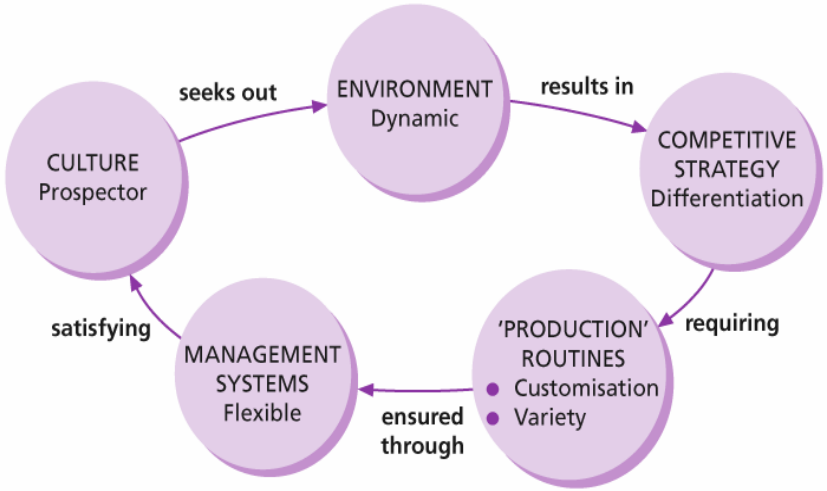


Exhibit 9.13 The six building blocks of organisations

Source: H. Mintzberg, *The Structuring of Organisations*, Prentice Hall, 1979



(a) Machine bureaucracy



(b) Adhocracy

Exhibit 9.14 Reinforcing cycles: two examples

The Shamrock Organisation

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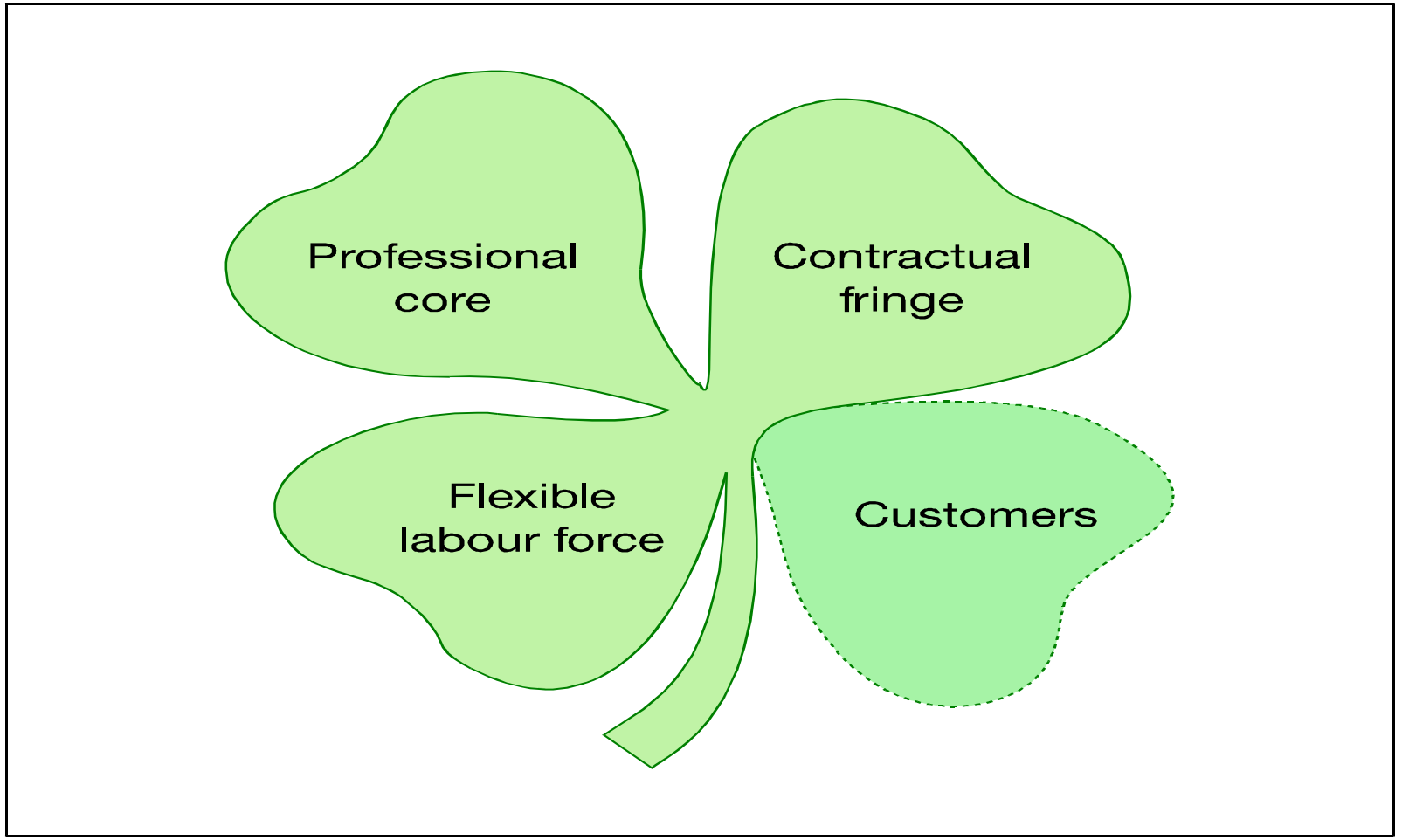

(Handy, 1989)

Strategy and Structure

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- '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

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Exhibit 9.1

Strategy and People

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Exhibit 9.2

Strategy and Information

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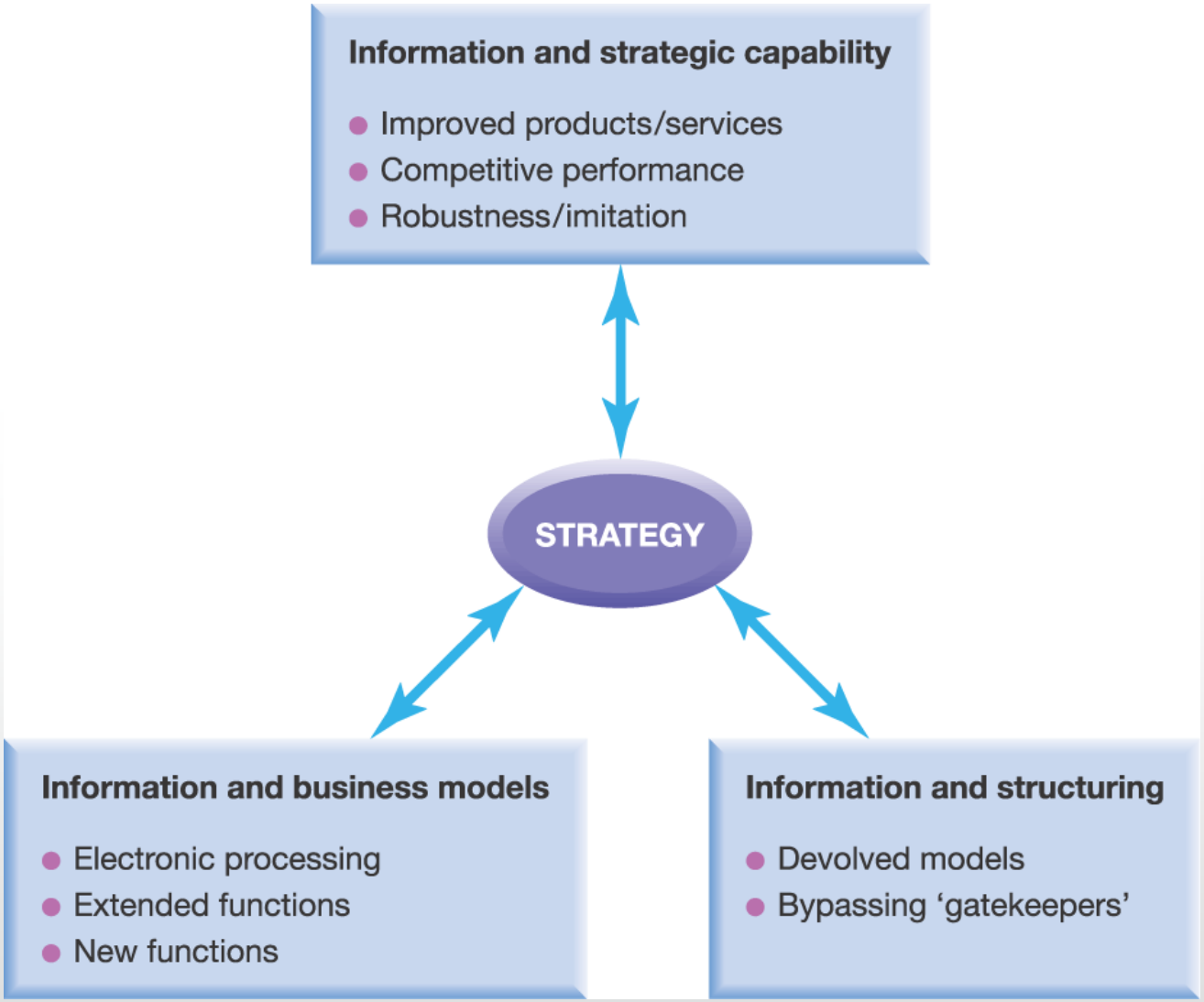

Exhibit 9.4

Financial Expectations of Stakeholders

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- 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

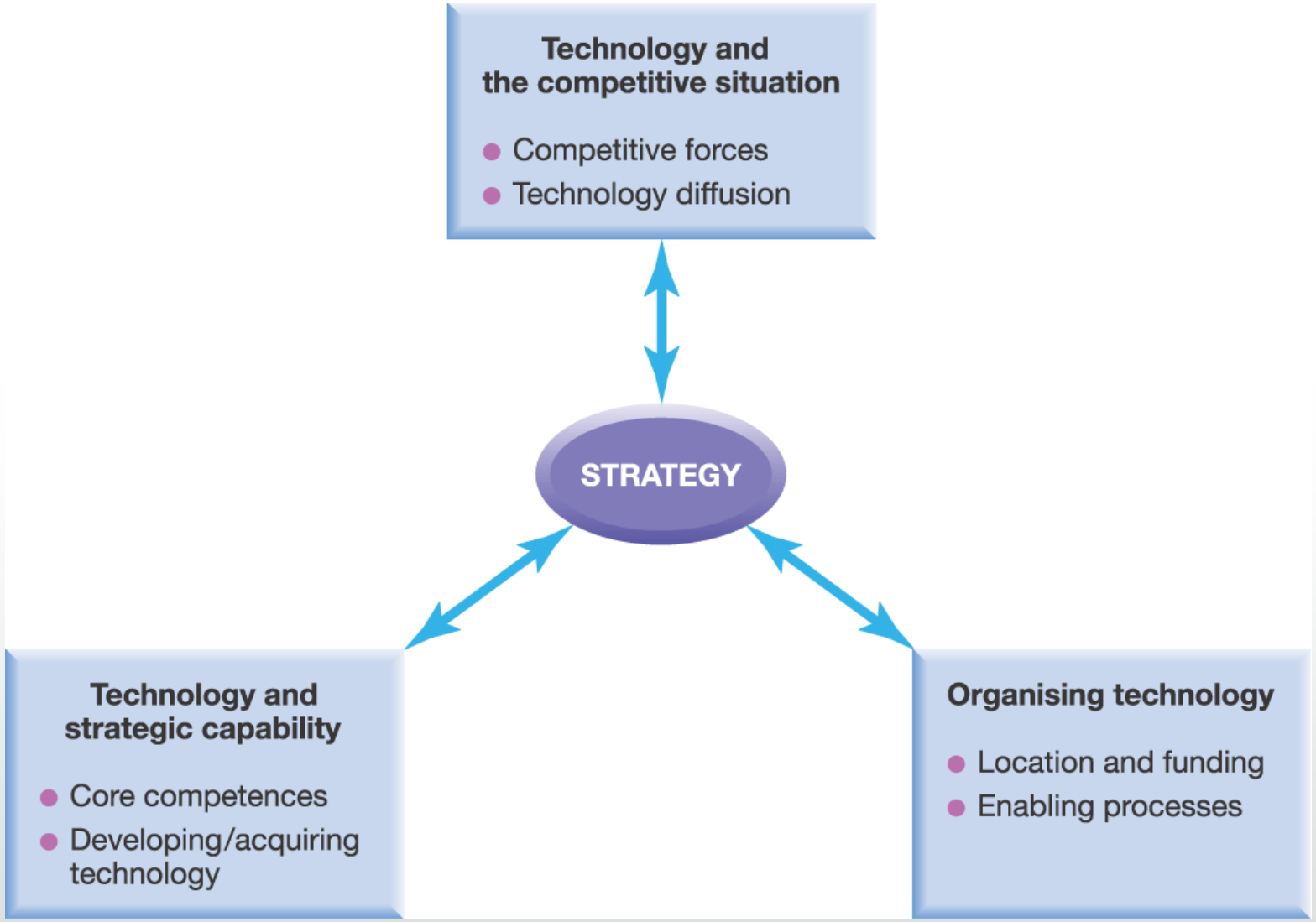

Exhibit 9.10

Exhibit 8.5

The Balanced Scorecard – An Example

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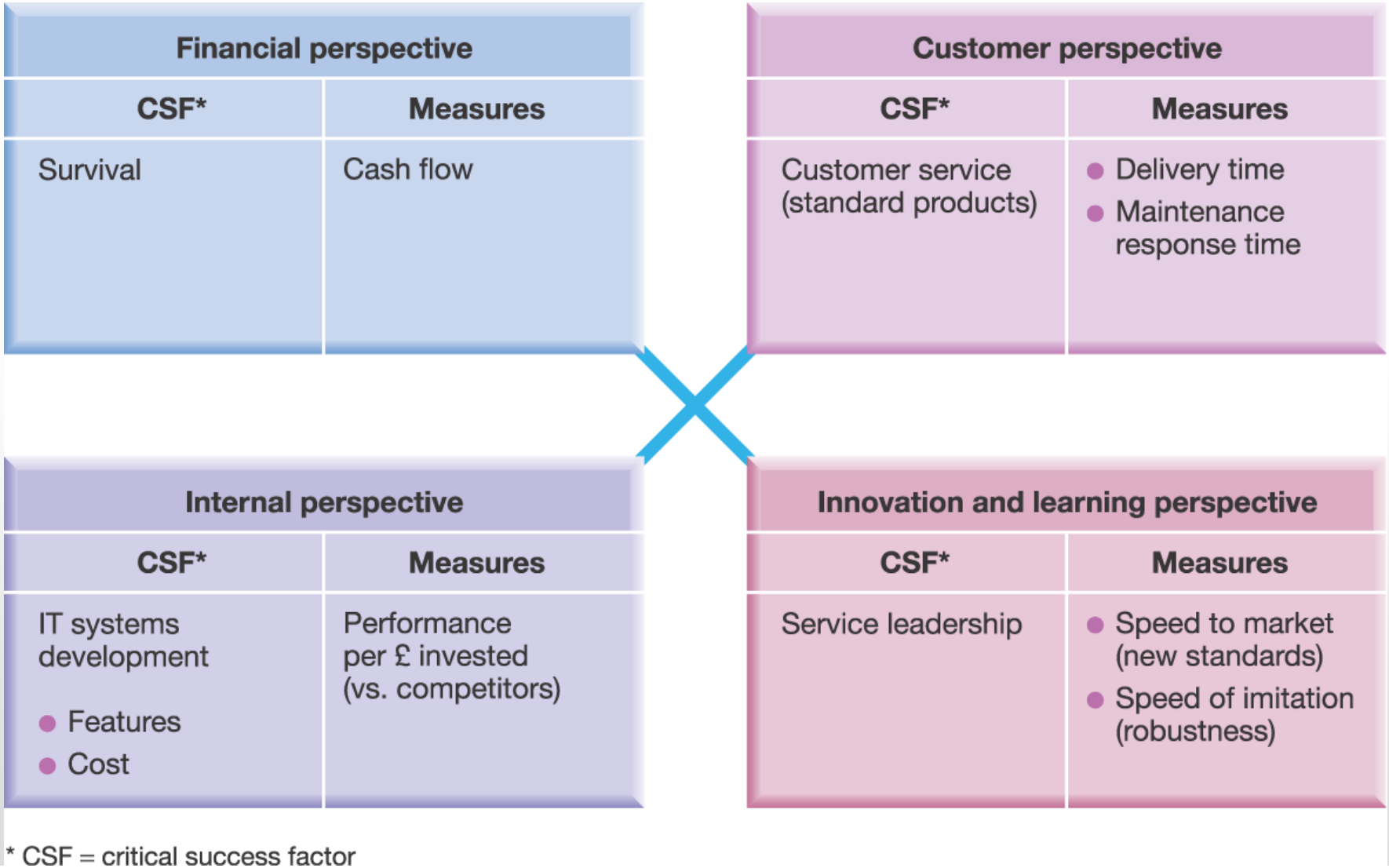

Financial perspective

CSF*	Measures
Survival	Cash flow

Customer perspective

CSF*	Measures
Customer service (standard products)	• Delivery time • Maintenance response time

Internal perspective

CSF*	Measures
IT systems development • Features • Cost	Performance per £ invested (vs. competitors)

Innovation and learning perspective

CSF*	Measures
Service leadership	• Speed to market (new standards) • Speed of imitation (robustness)

* CSF = critical success factor

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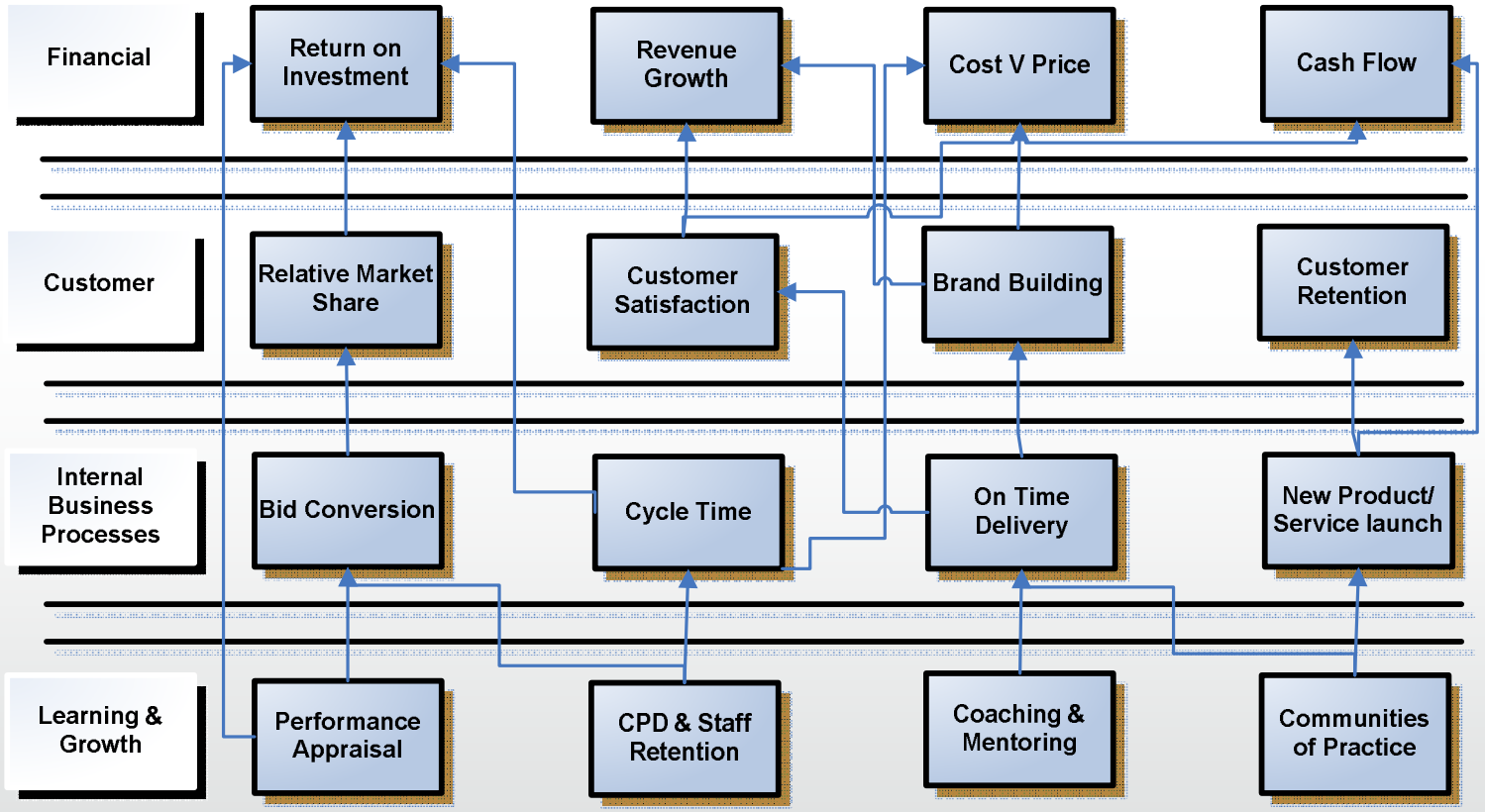
An Example of a Strategy Map



Adapted from (Polkinghorne, Petford and Manville 2008)

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Further Reading

- Core Reading as stated in the Blue Book Lecture Schedule
- Kaplan & Norton Paper (1996)
- Six Sigma Paper Antony et al. (2008)

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Thank you

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Any Questions?

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