

Corporate strategy and structure

If one does not know to which port one is sailing, no wind is favourable.
Seneca (ca 4 BC-AD 65), Roman philosopher, statesman and dramatist

Strategy and planning

Strategy and planning begins with analysis, and a well-known tool to do this is a SWOT analysis (looking at the internal Strengths and Weaknesses of the company, and the external Opportunities and Threats). Planning itself can be categorized into two main types depending on the time-scale and purpose of the planning.

- Strategic planning is concerned with the longer term and 'the big picture'. It is the process of defining the company's mission, determining the overall goals of the organization and allocating resources to reach those goals. It is done by top and middle managers.
- Operational planning is concerned with translating the general, long-term goals into more specific, concrete objectives. It involves monitoring the day-to-day work of departments. It is done by middle and supervisory managers.

Company structure

Having decided on its strategy, a business needs to organize itself into a structure that best suits its objectives. This can be done in several ways.

- Organization by function. The company is divided into departments such as production, finance, marketing, human resources.
- Organization by product. The company brings together staff who are involved in the same product line.
- Organization by customer type. The company is organized around different sectors of the market. Large customers are called 'key accounts'.
- Organization by geographical area. The company is organized according to regions.

A large multinational may use several of the above: for example a functional division initially (at an international level), then a national structure for each country, and within this some level of division according to customer types.

The business must also decide on the best way to organize its management hierarchy (= chain of command). The company is run by top (= senior) managers with job titles such as: Chief Executive Officer (CEO), Chief Operating Officer (COO), and a series of Vice-Presidents or Directors of different departments. Top management set a direction for the organization and aim to inspire employees with their vision for the company's future. This vision is often written down in a mission statement.

The next level is middle management, where managers are in charge of (AmE head up) a department, division, branch, etc. Middle managers develop detailed plans and procedures based on the firm's overall strategy.

Finally there is supervisory (AmE first-line) management, and typical job titles are: Supervisor, Team Leader, Section Chief. Supervisory managers are responsible for assigning non-managerial employees to specific jobs and evaluating their performance. They have to implement plans developed higher up the hierarchy.

In some companies – or for specific projects – there can be a matrix structure with cross-functional teams. Here employees from different parts of the organization work together and bureaucracy is reduced.

Above everything there is the Board, chaired by a Chairman or President, which gets involved in 'big picture' strategic planning and meets perhaps once a month. The CEO will be on the Board, but most Board members are not involved in running the company – they are elected by and responsible to the shareholders. Their main interest is shareholder value: getting a good return on investment in terms of both dividend payments and a rising share price.

Centralization vs Decentralization

A key issue for the company is to decide on the degree of centralization. Should authority be kept at Head Office (centralization)? If so, this would mean:

- A strong corporate image.
- Decisions made by experienced managers who see the whole picture, not just one part of the business.
- Standardized procedures which could lead to economies of scale (lower costs) and simpler distribution channels.

But decentralization also has advantages:

- Lower-level managers are more familiar with local conditions and can therefore give a stronger customer focus.
- The delegation of decision-making is likely to lead to a higher level of morale at the grassroots.

There are other closely-related questions. Should the structure be 'vertical', with many layers of management, or 'flat', with fewer layers? And how many subordinates should each manager supervise?

Monitoring and adapting plans (comparing actual data with forecasts, acting on feedback from customers and suppliers, acting on reports prepared by first-line managers)

Controlling budgets

Implementing plans, procedures and projects

Ensuring that objectives are SMART (specific, measurable, agreed, realistic and time specific)

Identifying customer needs, eg through market research

Identifying ways to lower costs and reduce waste

Determining staffing needs

Operational (day-to-day) issues for supervisory and middle managers



SWOT Analysis: market position

Analysing the product portfolio, including stage in the life cycle of main products

Analysing figures for profit centres (that add value) and cost centres (that spend budgets)

Analysis of current position

STRATEGY AND PLANNING

General issues for senior and middle managers



'Big picture' issues for

Board and senior managers

Setting overall sales and revenue goals

Setting budgets and making long-term forecasts of costs

Improving distribution channels

Identifying new markets

Identifying opportunities for new products

Pricing policy: value-for-money products vs high quality/premium price products

Building brand loyalty

Investing in technology, plant and equipment

Integrating on-line and off-line procedures (eg for sales and for customer service)

Evaluating current markets: development, consolidation, or withdrawal?

Prioritizing sales growth and market share, or earnings growth and profitability?

Business development: looking at possible takeover targets, mergers, alliances; entering new markets (from zero? buying local company? joint venture?)

Product diversification, or focus on core business?

Marketing strategy: worldwide or multidomestic?

Identifying major cost savings: looking for internal efficiencies, setting up production in low-cost countries (outsourcing)

Increasing shareholder value: share price and dividends

Image, reputation and social responsibility



Corporate strategy and structure: Exercises

3.1 Fill in the missing letters.

- Inside a company, large customers are often referred to as 'k__ a____s'.
- COO stands for 'C__f O____g O____r'.
- A matrix structure brings together people from different parts of the organization to work as c____-f____l t____s.
- The delegation of decision-making is likely to lead to a higher level of morale at 'the gra____oots' (= the ordinary people in an organization rather than its leaders).
- Each manager supervises a number of sub____s.
- In relation to an existing market, the 'big picture' strategy can be one of dev____nt (growth), conso____ion (making the existing situation stronger), or wi____wal (leaving the market completely).

3.2 Complete each phrase 1–10 with an ending a)–j).

- Operational planning translates general goals ☐
 - It is usual to divide an organization ☐
 - Some companies are organized according ☐
 - The Board gets involved ☐
 - Senior managers set ☐
 - Middle managers develop detailed plans based ☐
 - First-line managers implement plans ☐
 - First-line managers are also responsible ☐
 - A cross-functional team brings ☐
 - Subordinates work ☐
- a) a direction for the company.
b) developed higher up the hierarchy.
c) for assigning employees to specific jobs.
d) in major strategy issues.
e) into functional departments.
f) into more concrete objectives.
g) on the overall strategy.
h) to geographical regions.
i) together staff from different parts of the company.
j) under the supervision of a first-line manager.

3.3 The mixed-up letters make words that describe departments or functional areas inside a company. Put the letters in the right order.

- | | |
|----------------------------|--------------------------------|
| 1 haumnn ruoeecss | 9 pdroctoiun |
| 2 cmoesutr scribeevs | 10 lgael |
| 3 qtuialy crotnol | 11 sihnppg |
| 4 rsaceerh and dvnolpmeeet | 12 facnine |
| 5 pbilu c nrotlaes | 13 metakrnig |
| 6 pejcrot mmeegnnaat | 14 atnccous |
| 7 aiiisdtrnmaon | 15 pasuirchng (= buying, BrE) |
| 8 bnllieg | 16 pcroenremut (= buying, AmE) |

3.4 Pairs of words in bold have been switched – one from each column. Put them back in their correct places.

- | | |
|-----------------------------|--------------------------------|
| 1 market channel | 7 core growth |
| 2 cost value | 8 distribution research |
| 3 earnings business | 9 mission needs |
| 4 management loyalty | 10 market portfolio |
| 5 customer statement | 11 shareholder centre |
| 6 product share | 12 brand hierarchy |

3.5 Which of the collocations in exercise 3.4 refer to:

- using a questionnaire to carry out a survey
market research
- the main activity of a company that generates most of its profits _____
- financial benefits (= increase in share price and dividends) for the owners of the company _____
- the whole range of products that a company sells _____
- when customers are faithful to a particular product _____
- a business unit that spends money but does not generate revenue _____
- a continuing increase in profits _____
- what is shown in an organigram (= organization chart) _____
- senior management's vision for the company _____
- how a product gets from the manufacturer to the end-user _____

3.6 Match the verbs in the box with their definitions below. Be careful – some are very similar.

adapt assign check control coordinate
determine ensure evaluate implement monitor

- make sure that everything is correct or the way you expect it check
- organize people so that they work together effectively _____
- give someone a job to do _____
- carry out; make a plan start to work _____
- have the power to make decisions; make something operate in the way that you want _____
- make certain that something happens _____
- change something to fit a new situation _____
- watch or measure something carefully for a period of time to see how it changes _____
- (formal) think about or test something before deciding its value, suitability or effectiveness _____
- (formal) control what something will be; officially decide something; find out _____

3.7 Use the words in the box to complete the SWOT analysis below.

alliance barriers climate debt depth one-stop
outdated overhead range shortage start-up
state-of-the-art tailor-made transfer workflow

Strengths (strong points, internal)

- a large market share
- a well-structured distribution network
- motivated and well-trained staff
- 1 _____ (= cutting edge) products
- 2 _____ (= customized / personalized) products

- all services provided in one place: a 3 _____ shop'
- a well-known, high-value brand

Weaknesses (weak points, internal)

- a lack of new products
- a lack of managerial 4 _____ (= amount of knowledge and experience)
- 5 _____ (= old fashioned) production methods
- high levels of 6 _____ (= money owed to banks and other creditors)
- slow 7 _____ (= progress of work done) due to inflexible procedures
- an over-reliance on a limited 8 _____ of products
- high direct costs (= production costs) and high indirect costs (9 _____ eg utility bills)

Opportunities (future chances in the market)

- new foreign markets
- an improving economic 10 _____
- outsourcing
- a key supplier who might want to make a strategic 11 _____
- new product ideas: either from market research or from sales reps talking directly to customers

Threats (future dangers in the market)

- greater competition
- low-cost production in Southeast Asia
- technology 12 _____ to Southeast Asia (so that low-cost countries start using high-tech equipment)
- high 13 _____ costs of a new facility
- political risk: regulation, taxes, trade 14 _____ (eg quotas and tariffs)
- the market approaching saturation
- possible 15 _____ of components or raw materials
- reduced pricing power due to merger of two important customers

3.8 Look back at the completed SWOT analysis in exercise 3.7 and find a word that means:

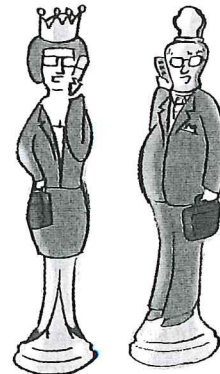
- 1 a situation in which you do not have enough of something _____
- 2 depending too much on something _____
- 3 'sales staff' (the answer is a short form of a longer word) _____
- 4 a building used for a particular purpose (especially for manufacturing) _____
- 5 when everyone who wants the product already has it _____

3.9 Tick (✓) the one statement that is true.

- 1 Targets and goals tend to be more general. Objectives and aims tend to be more specific, with aims being the most concrete and measurable. ☐
- 2 Aims and goals tend to be more general. Objectives and targets tend to be more specific, with targets being the most concrete and measurable. ☐

3.10 Managers should make sure that business objectives are SMART. Can you remember what these letters stand for? Don't look back at the mind map until you have tried to think!

Sp____c, Mea____le, Ag____d,
Rea____ic, and Ti____specific



Discussion topics

- 1 Bosses just take the credit for the work of lower-level employees. Who needs them?
☐ Agree ☐ Disagree
- 2 The continual emphasis on shareholder value in American-style companies produces high levels of stress amongst employees and an inability to think about the longer term.
☐ Agree ☐ Disagree
- 3 Think of two companies operating in the same market (eg Coke and Pepsi, Yahoo and Google, Audi and BMW, Gucci and Armani). Compare their strategies.
- 4 Make a quick SWOT analysis for a company / country / city / educational institution that you know. Present it to some colleagues and ask for questions.



Managing people

If I had to sum up in a word what makes a good manager, I'd say decisiveness. You can use the fanciest computers to gather the numbers, but in the end you have to set a timetable and act.
Lee Iacocca (1924–), American industrialist

Motivation

The ability to motivate others and improve morale is a 'soft skill' – difficult to acquire and almost impossible to measure. Four key thinkers contributed to this field in the 1950s and 60s, and their work is still the basis for contemporary approaches:

1 Maslow developed his 'hierarchy of needs'.

- ↑ self-actualization needs
- ↑ ego (self-esteem) needs
- ↑ social needs
- ↑ security needs
- ↑ physiological needs

We move to the next stage up only when the lower need is met. And as soon as any need is met, then it is no longer a motivator. The bottom two are usually not an issue in business (unless you are hungry or in danger). After that, our next need is to feel accepted and part of a group (social need). If that happens, then next we have ego needs: recognition and acknowledgement from others, as well as a sense of status or importance. Finally, if that need is met, we want self-fulfilment ('self-actualization' in Maslow's terms): to achieve, to develop to our fullest potential.

2 Herzberg expressed similar ideas. He agreed that the most important motivators at work were sense of achievement, earned recognition and interest in the job itself. But then there was another set of job factors ('hygiene' or 'maintenance' factors) that do not motivate employees, but can cause dissatisfaction if they are missing. These include salary, job security, working conditions and good relations with co-workers.

3 McGregor observed that managers generally fall into two categories: Theory X and Theory Y. Theory X managers believe that most people dislike work and must be controlled and directed to achieve the organization's goals. Theory Y managers believe that most people like work and actively seek responsibility. They believe in empowerment (= giving employees the authority to make decisions without traditional managerial approval) and enabling (= giving them the tools).

4 Drucker believed in 'management by objectives' (MBO). MBO calls on managers to work with employees to formulate clear, ambitious but achievable goals. There has to be monitoring and measurement to ensure objectives are being met, and workers who achieve their objectives can be rewarded with pay rises, bonuses, etc.

Communication

Communication is two-way: top-down and bottom-up. It can also be external: the PR (public relations) function handles this.

Inside an organization, informal communication happens all the time: everyone enjoys discussing 'office politics' at the water cooler and picking up information 'on the grapevine' (= passed from one person to another in conversation). Formal communication is through the medium of meetings, presentations, reports, etc, and these are covered in the second half of this book. But two other key communication skills are not possible to practise in a book:

- 'Active listening'. This means listening with full attention, not interrupting except to ask for clarification, and giving consideration to the other person's point of view.
- 'Assertiveness'. This means stating your needs and opinions confidently and clearly, without on the one hand being indirect or 'suffering in silence', or on the other being aggressive and rude.

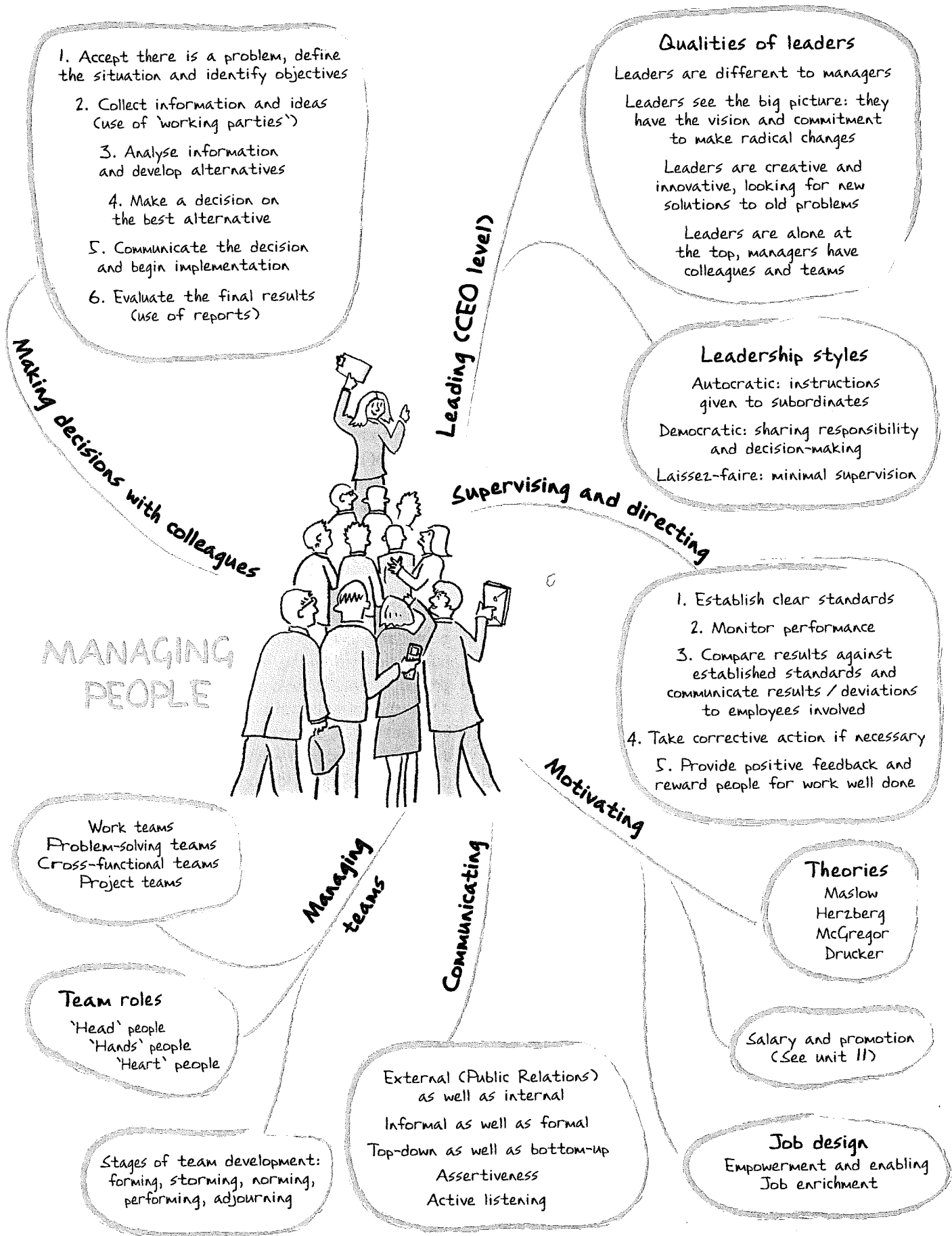
Teamwork

A team (or 'taskforce' or 'working party') needs a variety of personality types to perform well:

- 'Head' people who are good at thinking and problem-solving.
- 'Hands' people who are good at doing and acting.
- 'Heart' people who are good at networking and resolving conflicts.

Once a team has been set up, it usually goes through the five stages of development identified by Bruce Tuckman:

- 1 Forming. People get to know each other.
- 2 Storming. This refers both to 'brainstorming' as ideas get suggested for the first time, and also to conflicts that arise as team members clarify their roles and expectations.
- 3 Norming. Members sort out a way of working together and begin to 'own' and share the team objectives.
- 4 Performing. Members focus on solving problems and doing tasks. Progress can be seen as they pass various milestones (= events that mark an important stage in a process).
- 5 Adjourning. The job is finished, and there is often a public recognition and celebration of achievements.



4

Managing people: Exercises

4.1 Fill in the missing letters:

- 1 The level of confidence and positive feelings that people have, especially people who work together, is their level of 'mo___e' (slightly different to 'motivation', which is linked to doing things).
- 2 When we have the recognition and respect of others, it adds greatly to our 'self-es___m' (= feeling that we are valued and important).
- 3 When we have been successful, it is good to have the 'ackn_____nt' (= public recognition and thanks of others).
- 4 Developing to our fullest potential was called 'self-actualization' by Maslow. A more common term is 'self-ful___ment'.
- 5 Being successful after a lot of effort gives us a 'sense of ach_____nt'.
- 6 Giving people more control over their work is called 'emp_____nt'.
- 7 Giving someone the tools and skills to do something is called 'en___ing' them.
- 8 Successful managers are neither passive nor aggressive. Instead, they are 'ass___ve'.
- 9 Business leaders need to have vision and 'comm_____nt' (= enthusiasm, determination and a strong belief in what they are doing).

4.2 Decide whether the phrases below best describe managers (M) or leaders (L).

- | | |
|--|---|
| 1 welcome change <input type="checkbox"/> | 5 good at motivating <input type="checkbox"/> |
| 2 welcome stability <input type="checkbox"/> | 6 good at supervising <input type="checkbox"/> |
| 3 look at the details <input type="checkbox"/> | 7 four make a team <input type="checkbox"/> |
| 4 look at the big picture <input type="checkbox"/> | 8 four is three too many <input type="checkbox"/> |

4.3 Read the text then answer the questions below.

The work of Maslow and Herzberg has been developed into the theory of 'job enrichment'. This theory states that there are five characteristics affecting an individual's motivation and performance:

- 1 Skill variety. The extent to which a job demands different skills.
- 2 Task identity. The degree to which a job has a visible outcome.
- 3 Task significance. The degree to which a job has an impact on the work of others.
- 4 Autonomy. The degree of freedom and choice that people have in scheduling work and determining procedures.
- 5 Feedback. The amount of direct and clear information that is received about performance.

The first three factors above contribute to the meaningfulness of the job. The fourth gives a feeling of responsibility. The fifth contributes to a feeling of achievement and recognition.

Job enrichment tries to maximize the above five factors within the constraints of the organization. It also includes two specific strategies:

- job enlargement – combining a series of tasks into one challenging and interesting assignment
- job rotation – moving employees from one job to another.

Find a word in the text which means:

- 1 making something better and more enjoyable _____
- 2 result _____
- 3 power to make independent decisions _____
- 4 quality of being serious, useful and important _____
- 5 making something bigger _____
- 6 piece of work that you must do as part of your job or course of study _____

4.4 Read about a decision-making process at Xerox.

¹In the 1990s Xerox was in trouble. ²Anne Mulcahy, a company insider, realized how serious the situation was – customers were leaving, morale was low, and the company product line was too unfocused. ³She became CEO in 2000 and immediately began a listening tour, seeking insights from employees, customers and industry experts on where the company had gone wrong. ⁴What strategic options were open to Xerox? ⁵It could focus on laser or ink-jet, high-end or low-end, single-function or multi-function. ⁶And which areas of the business were going to be cut? ⁷R&D was traditionally strong at Xerox but used up a lot of internal resources. ⁸Mulcahy and her team worked out a plan. ⁹First, they would focus on cash generation, second they would cut costs wherever possible (R&D was saved from this), and finally they would focus exclusively on areas where Xerox had a competitive advantage. ¹⁰Mulcahy took time to explain this plan to front-line employees. ¹¹In addition, she made sure that everyone explained it to customers as well, and made many customer visits herself.

Now write the sentence numbers that match the stages below.

- a) Accept there is a problem; define the situation. ☐ 2
- b) Collect information and ideas. ☐
- c) Analyse information and develop alternatives. ☐ to ☐
- d) Make a decision on the best alternative. ☐ to ☐
- e) Communicate the decision and begin implementation. ☐ to ☐

4.5 Study the collocations related to decision making. Check any unknown words in a dictionary.

achieve, define, establish, fail in, fall short of, fulfil, identify, meet, reach, set	an objective
address, cause, clear up, create, deal with, give rise to, handle, overcome, resolve, solve, tackle	a problem
accept, agree to / with, come up with, make, offer, put forward, reject, rule out, take up, turn down	a suggestion
arrive at, come to, defer, make, overrule, overturn, postpone, put off, reach, reverse, take	a decision
collective, critical, crucial, difficult, hard, important, joint, key, major, tough, unanimous	decision
anticipated, desirable, eventual, expected, favourable, final, likely, satisfactory, successful	outcome

Now divide the words in each box into three groups, based on their meaning.

achieve, meet, define, identify, fail in, fall short of, reach, fulfil, establish, set	an objective
	a problem
	a suggestion
	a decision
	decision
	outcome

4.6 Match the team roles in the box to the descriptions below. This exercise is based on the ideas of Belbin and Margerison-McCann.

Coordinator Innovator Evaluator Finisher
Implementer Promoter Shaper Specialist Team worker

'Head' people

- 1 _____ – solves difficult problems with creative ideas; not afraid to challenge norms; may ignore details

Discussion topics

- All this Maslow and Herzberg stuff is garbage. There's only one thing that motivates people: money.
☐ Agree ☐ Disagree
- All this stuff about teamwork is garbage. If you want to do a job properly, do it yourself.
☐ Agree ☐ Disagree

- _____ – thinks carefully and accurately about things; listens patiently; may lack energy to inspire others
- _____ – has expert knowledge in key areas; may be uninterested in all other areas

'Hands' people

- _____ – takes basic ideas and makes them work in practice; methodical and organized; can be slow
- _____ – gets involved quickly with lots of energy; more interested in the final result than the process; may be impatient
- _____ – likes completing things on time, on budget, and to specification; can worry too much

'Heart' people

- _____ – central person who makes sure everyone works well together; helps everyone focus; can be seen as too controlling
- _____ – caring, a good listener, and works hard to resolve problems; may have difficulty making decisions
- _____ – enthusiastic, sees the big picture and good at explaining it to people outside the group; can be too optimistic and lose initial energy

4.7 Change each adjective describing people into its opposite.

- accurate __accurate / __precise
- careful care__
- conservative inn__ve / ra__al
- decisive __decisive / hes__
- efficient __efficient / wa__eful
- enthusiastic __enthusiastic / b__ed
- flexible __flexible / r__id
- hands-on l__ez-f__e
- lazy h__-w__ing
- patient __patient
- polite __polite / r__
- reliable __reliable

4.8 Complete each sentence using either *sensible* or *sensitive*. These adjectives are often confused.

- He reacts to things in an emotional way and is easily offended, he's very _____.
- He's reasonable, practical and mature, he's very _____.

- The best communicator inside an organization that I have ever known is _____ (name). He / She is such a good communicator because ...
- Looking at the nine team roles in exercise 4.6, I think I am a _____ (role) because ...
Someone who I really enjoy working with is called _____ (name). He / She is a _____ (role) because ...