

How should an organization design its structure and culture to obtain a core competence in manufacturing and in research and development?

An organization develops a strategy to increase the value it can create for its stakeholder profitability. Value is anything that satisfies the need and desire of organization stakeholder. Stakeholder wants a company to set goal and develop action plan that maximize the long term profitability of that company and value of their stock. That's why company creates core competencies to satisfy the stakeholder needs and wants.

Core competencies are unique skills that creates value through activities, such as manufacturing, marketing and R&D that allow a company to achieve superior efficiency, quality and innovation. Core competencies also help the companies to gain competitive advantage over their rivalry firm.

An organization should design its organizational structure and culture in such a way that it creates value to all the stakeholders and have a competitive edge towards their rival firm. The specialized resources that provide core competencies to the firm are as follows.

- Functional resources : These are skills possessed by the employees in various functional zones.
- Organizational resources : These include the skills of the top-management team to manage the scarce resources such as land, money, plant equipment.

Companies can provide good training to their employees, and can motivate them by rewarding their efforts to improve competence level, improved competencies will allow the firm's attract new customers, qualified employees, and the financial sources. This will raise the value of the firm in the market and will create a competitive advantage.

Why would an organization choose a corporate-level strategy to expand its value creation activities beyond its core domain? Discuss how an organization's structure and culture might change as the organization begins to enter new domains.

A corporate-level strategy is a strategy to develop core competences. With this strategy an organization can enlarge and protect its existing domain and expand into new domains as well. At the time of expansion the factor which is considered is that all the resources to expand are available and there will not be additional value creation in current core domain. So before expanding re-evaluation of an organization requires. In corporate level strategy there is

multidivisional structure for the organizations which are working in various domains.

An organizations structure might change as the organization begins to enter new domain, as features are unique for every domain. There might be challenges at the beginning of new domains. So new domains needs to be taken care. As each domain has unique features, different approach should be chosen to deal with new domains.

Corporate-level strategies is chosen when the organization aims for conglomerate structure and unrelated diversification. In case of related diversification this strategy helps in obtaining value by sharing resources and functional skills from one division to another. By having a corporate-level culture, the firms can have coordination and integration. Corporate level strategy and culture focus on enhancement by adding new functionality to the existing product extension of market by entering new businesses, expansion, and exit of a product or services.

Corporate Level Strategy

Most of the organizations choose a corporate level strategy to expand its value creation activities beyond its core domain because of following reason:

1. Economy of Scope

While production of product and service there are some raw material that the company need to purchase or after production there is some wastage that the companies need to sell. So, the company wants to produce some product from its wastage or company want to produce raw material itself to reduce the cost to the company.

Companies want to expand its business in such a way that it can offer more services by utilizing the existing employees. By this company can increase its profit and also worth of stakeholder stock.

2. Strategic Expansion

Because of strategic purpose sometimes organizations expands its value creation activity to gain the competitive advantage over the competitors. To show, its existences in different market, corporate level strategy is implemented so as to increase the value to the firms.

3. Market Expansion

Another purpose of corporate level strategy to expand its value creation activities is by expanding its business from local to global by providing goods

and services from local customer to global customers. This helps the firms to increase its customer base.

Expanding makes sense if more value creation cannot occur in the core domain, and resources are available to enter new domains. In new domains, a firm needs a complex structure such as the multi divisional structure. Structure and culture depend on the strategy pursued. Unrelated diversification fosters economic values; related diversification fosters cooperation. Expansion increases bureaucratic costs, resulting in a taller structure that could stifle innovation. Structure and culture must be reevaluated as a firm changes strategies.