**Session 10 BUSA 7800 - Strategic Management Chapter 09**

Learning Outcomes

At the end of this session you should be able to:

1. Explain how new strategies relate to developing new organizational capabilities and new organizational structures.
2. Relate the growth patterns of major corporations and the relationship between a firm's strategy and its structure.
3. Differentiate between the traditional types of organizational structure: simple, functional, divisional and matrix.
4. Link the design of strategic reward and evaluation systems to business-level and corporate-level strategy.
5. Differentiate between the different types of boundaryless organizations

Chapter 9 – Creating Effective Organizational Designs

**I. Introduction: Organizational Capabilities and Organizational Structure**

What are organizational capabilities?

What are some examples of organizational capabilities?

How does a new strategy relate to organizational capabilities?

Explain how the strategy-organizational analysis works

Step 1: Identify the required organizational capabilities to implement the strategy

Step 2: Identify the capability gap

Step 3: Identify the required organizational changes

Step 4: Assess Feasibility

**II. Traditional Forms of Organizational Structure**

What is an organizational structure?

**The firms skill in using its resources to create goods & services**

How is organizational structure linked to implementing your strategy?

**Innovation 3M**

**FedEx for speed**

**A. Simple structure**

What is the simple structure?

Centralized decision making

little formalization – no mannual

When is the simple structure used?

Small company 25 people ish

simple function

**B. Functional structure**

What is the functional structure?

**Its broken up by departments: sales, HR, and the actuall important people**

Why would an owner move from the simple structure to the functional structure?

**Because organisaion is nice and simple is another word for stupid**

Where do we tend to see firms with a functional structure?

What is a drawback of the functional structure?

**Departments don’t communicate with each other**

**C. Divisional Structure (Multidivisional structure or M-form)**

How is the divisional structure organized?

What is an advantage of the divisional structure?

What are some drawbacks of the divisional structure?

Two variations on the divisional structure have been adopted to overcome some of the disadvantages:

1. Strategic Business Unit (SBU) structure

2. Holding Company Structure

1. Strategic Business Unit (SBU)

How does the SBU structure work?

**Division that are similar are grouped 2gether to achive some synergydue to similar products, markets or tech.**

**Each SBU comes up w/ its own strat**

What is a key advantage of the SBU?

What are some major drawbacks of the SBU structure?

2. Holding Company Structure (Conglomerate)

What is the difference between the holding company structure and the SBU structure?

What is an advantage of the holding company structure?

What is a disadvantage to the holding company structure?

**D. Matrix Structure**

How does the matrix structure work?

What are cross-functional teams?

What are some advantages of the matrix structure?

What is the major disadvantage of the matrix structure?

**E. How an Organization's Structure Can Influence Strategy Formulation**

How does an existing structure influence strategy formulation?

**III. Linking Strategic Reward and Evaluation Systems to Business-Level and** **A. Corporate-Level Strategies**

What are the benefits of reward and evaluation systems?

Two factors that help with the design of reward and evaluation systems are a firm's:

1. Business-level strategy

2. Corporate-level strategy

**A. Business-Level Strategy: Reward and Evaluation Systems**

*i. Overall Cost Leadership*

How does the overall cost leadership strategy dictate structure?

*ii. Differentiation*

How does the differentiation strategy dictate structure?

**B. Corporate-Level Strategy: Reward and Evaluation Systems**

* Two broad types of diversification strategies: related and unrelated.
* The key issue here is the need for independence versus interdependence.

What is the need for interdependence with cost leadership strategies and unrelated diversification?

Why do firms that follow related diversification strategies have intense needs for interdependence among functional areas and business units?

Why must all firms have a combination of both financial and behavioural rewards?

**IV. Boundaryless Organizational Designs**

What is the advantage of a traditional company having boundaries?

What is a major drawback of these boundaries?

There are three approaches to making boundaries more permeable:

1. The Barrier-Free Organization
2. The Modular Organization
3. The Virtual Organization

*1. The Barrier-Free Organization*

How does a barrier-free organization work?

Why would a firm want to be a barrier-free organization?

How is most work done in the barrier-free organization?

What is a major challenge for firms that move from rigid hierarchies to being a barrier-free organization?

*2. The Modular Organization*

How does the modular organization work?

Who are examples of modular organizations?

What are some advantages of the modular organization?

What are some downsides to the modular organization?

*3. The Virtual Organization*

What is a virtual organization? (Exhibit 9.9)

How are virtual organizations different from modular organizations?

What is one thing to note about the different types of boundaryless organizations?

**Next Session:**

Chapter 10 – Strategic Control and Corporate Governance