

ORGANIZATIONAL STRUCTURE AFFECTED BY STRATEGIC CHANGE

Dr. Minisha Gupta

Research Associate, Human Resource Department, Asia Pacific Institute of Management, New Delhi, India

ABSTRACT

Organizations are vulnerable to change. They need to develop strategies to compete both in domestic and global market. If organizations have to sustain in long run they have to continuously make changes in their strategies. Competitive market pressurizes organizations to make rapid changes in their strategies. But continuous updations in strategies affect organization's culture, structure, productivity and outcomes. A change in strategy brings about tremendous changes in organization's structure. This paper explores various issues like:

- *The role of strategy in organizations.*
- *Organizations need to make continuous amendments in their strategies.*
- *Organizational structure and its advantage in organizations.*
- *Change in strategy brings about change in organizational structure.*
- *Benefits and problems coming out of the change in strategy affecting organizational structure.*

Keywords: *Organizational change, Organizational structure, Strategic Organizational change, Strategy, Sustainability*

INTRODUCTION

Internal and external resources of organization are the critical factors for success and stability. Organization's fundamental objective is to gain strategic competitiveness. Organizational sustainability depends on its strategies implemented to face the market volatility and uncertainty. Organizational structure is a means which support management to achieve its objectives through strategic implementation. This closely links strategy and structure. For example, if an organization focuses on offering some special services, its structure should promote this initiative. If the top management initiates considerable change in its organizational strategy, then it will need to modify structure to support the change. Highly growth oriented companies have smaller organizational structures so they can react to changes in the business environment quicker than other companies.

STRATEGY

Strategy is a word of military origin which means plans of action designed to achieve a particular goal (Carnall, 1986). To maintain growth and sustainability of organizations, managers need to develop and implement effective strategy. Organizational strategy refers to a plan for interacting with the competitive environments to achieve organizational goals (Zheng, Yang, and McLean, 2010). An organizational strategy is closely related to its performance provided if it is aligned with organizational structure.

A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage (Ireland, Hoskisson, and Hitt, 2010). A firm has a competitive advantage when it implements such strategy which competitors are unable to duplicate or find it too costly to try to imitate. For example APPLE's strategy to bring creativity and innovation in its product including ipod, portable digital music

device, itunes online music store, service for downloading songs and other digital music and video clips. APPLE excels in making excellent marketing strategy to please its customers.

Strategy is important for continuous growth and success of companies. It is concerned with making choices among available alternatives. To choose a strategy, organizations pursue one alternative over other. These choices are influenced by opportunities or threats of organizational environment. Choice of selecting strategy is also affected by the nature and quality of firm's internal resources, capabilities and core competencies. Effectively formulated strategies integrate, assemble and allocate firm's resources and competencies in order to align them in its external environment. There is a variety of strategies having their own features and benefits. Some of the major classified strategies are business level strategy, corporate level strategy, acquisition and restructuring strategies, international strategies and cooperative strategy.

I. Business level strategy: It is an integrated and coordinated set of commitments and actions that firms use to gain a competitive advantage by exploiting core competencies in specific product markets. It indicates the choice the firm to compete in challenging market situations. To make a choice is important as it is linked to a firm's long term performance. Business level strategy is a core strategy that every firm must form to describe its planning to compete with others.

II Corporate level strategy: It specifies actions a firm takes to gain a competitive advantage by selecting and managing a group of different businesses competing in various other markets. These strategies help companies to select new strategic positions which are expected to increase firm's value.

III Merger, Acquisition and Takeover strategies: Merger is a strategy through which firms agree to integrate their operations on a relatively coequal basis. Acquisition is a strategy through which can firm buys a controlling, or 100 percent interest in another firm with the intent of making the acquired firm a subsidiary business within its portfolio. Here management of acquired firm reports to the management of acquiring firm. It may be a reason for resistance from employees. Takeover is a special type of acquisition strategy wherein the target firm does not ask the acquiring firm's bid.

IV International strategy: It is a strategy through which the firm sells its goods or services outside its domestic market. This strategy yields potential new opportunities.

V Cooperative strategy: It is a strategy in which firms work together to achieve a shared objective. By cooperating with other companies a company is able to leverage its core competencies to grow and improve its performance. It may include strategic alliances and joint ventures.

STRATEGIC ORGANIZATIONAL CHANGE

Strategy is simply not any remedy to a problem (Johnson, 1992). It provides long term effect to organizations. Strategic decisions are gained through the application of managerial experience. They refine external and internal sources of information. If employees able to identify various requirements of the organization then, they could easily understand the reasons for implementing strategic change. To gain access to restricted markets and to maintain market stability strategic change is implemented. Organizations want to speed up the development of goods and services. They want to maintain market leadership in order to face uncertainty. Organizations want to share major resources and R&D facilities in order to establish economies of scale. They want to initiate learning culture to develop new business techniques and capabilities. To overcome the weaknesses and to gain strengths for long term sustainability, strategic change is employed.

ORGANIZATIONAL STRUCTURE

An organizational structure is a set of core beliefs and assumptions encapsulated with organizational culture. It considers routine behavior of organizational members, rituals of the organization, control system and reward system, with the impact of which employees respond. Organizational structure points toward a continuing pattern of tasks and activities. Organizational structures are categorized as centralized and decentralized. In comparison to centralized organizational structure, a decentralized structure provides more flexibility in strategic change and encourages communication and participation of employees in decision making. Decentralized organizational

structure encourages communication and increases employee satisfaction and motivation because in such structures free flow of lateral and vertical communication is encouraged.

Organization structure is a critical component for implementing strategy effectively. A structure defines the work to be done and how to do it, implementing organizational strategies. Effective structure provides stability to the firms which help in implementing strategies successfully. It helps in maintaining competitive advantage while simultaneously providing flexibility to develop advantages it will need in the future.

IMPORTANCE OF ORGANIZATIONAL STRUCTURE

Organizational structure defines how tasks are formally divided, grouped and coordinated. The elements of organizational structure includes: work specialization, departmentalization, chain of command, span of control, centralization and decentralization and formalization. An organizational structure specifies the directions and job responsibilities. It reduces employee ambiguity and confusion regarding their tasks. Organizational structure reduces ambiguity for employees and clarifies their doubts and problems. It restricts employees to extent that it limits and controls what they do.

TYPES OF ORGANIZATIONAL STRUCTURE

1. Simple or Flat structure: A structure without any tight control and with high decentralized rules and regulations is a Flat structure. Its strength lies in its simplicity and flexibility. In such structures the flow of information is very fast and inexpensive. It is easy to maintain and it specifies job accountability clearly.

2 Matrix structure: A structure that creates dual lines of authority and combines functional and product departmentalization. It brings specialists together and provides easy access and sharing of resources. It is highly rigid and contains tight controls.

ORGANIZATIONAL STRUCTURE AND STRATEGIC CHANGE

Organizational structure specifies the firm's formal reporting relationships, procedures, controls and authority and decision making processes. It is typical to develop an organizational structure which effectively supports organization's strategic change. Every manager has to ensure that strategies are appropriate with organizational structure so that at the time of change both can be managed easily. Normally strategy influences structures but sometimes structure also influences planning of strategy and its successful implementation. Organization's strategies work effectively only if all the elements of organizational structure are properly aligned with each other. Organization structure elements include reporting relationships and procedures. Modifications in the organization's existing strategy ask for changes in its organizational structure. Organizations prefer to maintain their familiar working structure till the time organization's performance starts declining and change becomes necessary.

Organizational structure and strategic change have reciprocal relationships. This relationship highlights the interconnection between strategy formulation and strategy implementation. Structure can influence current strategic actions as well as choices about future strategies. While selecting a strategy a manager should be committed to match strategy with organizational structure. It provides stability needed to use current competitive advantages and the flexibility required to develop future advantages. Matching strategies with structure can create a competitive advantage.

Organizations focus on the three main changes: innovation, cost minimization and imitation. Accordingly its structure should be developed or modified.

Table 1: Type of business strategy and organizational structure required for it.

STRATEGY	ORGANIZATIONAL STRUCTURE
Innovation strategy	Flat structure
Cost minimization	Matrix structure
Imitation	A combination of flat and matrix structure

To develop a strategy for brining innovation a loose structure with low specialization and low formalization is required. It should be decentralized. To minimize cost, organizations can develop strategy that helps in tightening cost controls, avoiding unnecessary marketing expenses. It can be implemented in matrix structures where highly centralized control system is followed. When organizations plan to move into new directions by ways of introducing new products and services, then they implement initiation strategy. This strategy works well sin a mixture of flat and matrix structure. His strategy asks for tight controls for operational activities and an easy way to undertake new activities.

IMPLEMENTING STRATEGIC CHANGE

To implement strategic change is not an easy task for both big business houses and small organizations (Robbins, 2003[5]). On the basis of the attitude of employees and type of structure a table is prepared which helps in finding out the outcomes of implementing strategic change.

Table 2: Outcomes of combination of structures and employee attitude towards strategic change.

	MATRIX	FLAT
NEGATIVE	High resistance to change	Anxiety , frustration and little resistance to change
POSITIVE	Acceptance of change with a fear of challenge or motive of learning	Highly accepted because of equal/greater participation

Considering flat and matrix as two main types of structures, strategic change can be implemented on the basis of attitude of employees flowing from negative to positive and vice versa. It has four main outcomes of implementing strategic change.

- 1. MATRIX AND NEGATIVE:** In case of hierarchical structure where people are forced to work in strict control, the implementation of strategic change is highly difficult due to high resistance of employees.
- 2. MATRIX AND POSITIVE:** Strategic change can be accepted only if people are self motivated ad willing to learn from such changes. Change may also be accepted in case of threat to face unforeseen challenges.
- 3. FLAT AND NEGATIVE:** Due to lose control strategic change although is implemented but typically accepted as employees may frustrate and resist changing.
- 4. FLAT AND POSITIVIE:** Strategic change can be implemented and accepted very easily as high levels of learning is involved in it.

Any significant Organizational change demands that existing ways of thinking about and talking about what we do can be overturned.

LINKING STRATEGIC CHANGE TO ORGANIZATIONAL STRUCTURE

Organizational structure and strategic change in the organization are complementary to each other. To implement strategic change in an effective manner it should be aligned with organizational structure (Chittoor Ray, Aulakh, and Sarkar, 2008[6]). The development of new skill sets is required to support changes in strategies. Executives responsible for the planning function need to ensure that the logic of the planning process is communicated. A well designed organizational structure is ideally suited for implementing strategic change. Special teams or task forces often need to be set up to carry out strategic changes. Such teams are commonly employed by the organizations that were perceived to be better at implementing strategy. Organizations should develop a strategic control framework to support the implementation of strategic change. Effective strategic change implementation requires that strategic plans be viewed as live and responsive in nature.

CONCLUSION

This paper based on the study of literature explores the role of strategy in organizations. Organizations, in order to sustain for long, need to make continuous changes in their existing strategies. This helps them in facing challenges

of the market. To implement the strategic change effectively it is necessary that organizational structure should be aligned with it. From the study it is revealed that strategic change brings about change in organizational structure. It also affects employee attitude towards change. Human resource is the most important factor for organizations. So in order to implement strategic change continuously its alignment with organizational structure is a must. It facilitates continuous changes in organizational strategy and brings out various benefits from it.

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Author Declaration

I would like to declare that, the paper is the original work has not been submitted for publication anywhere else.