

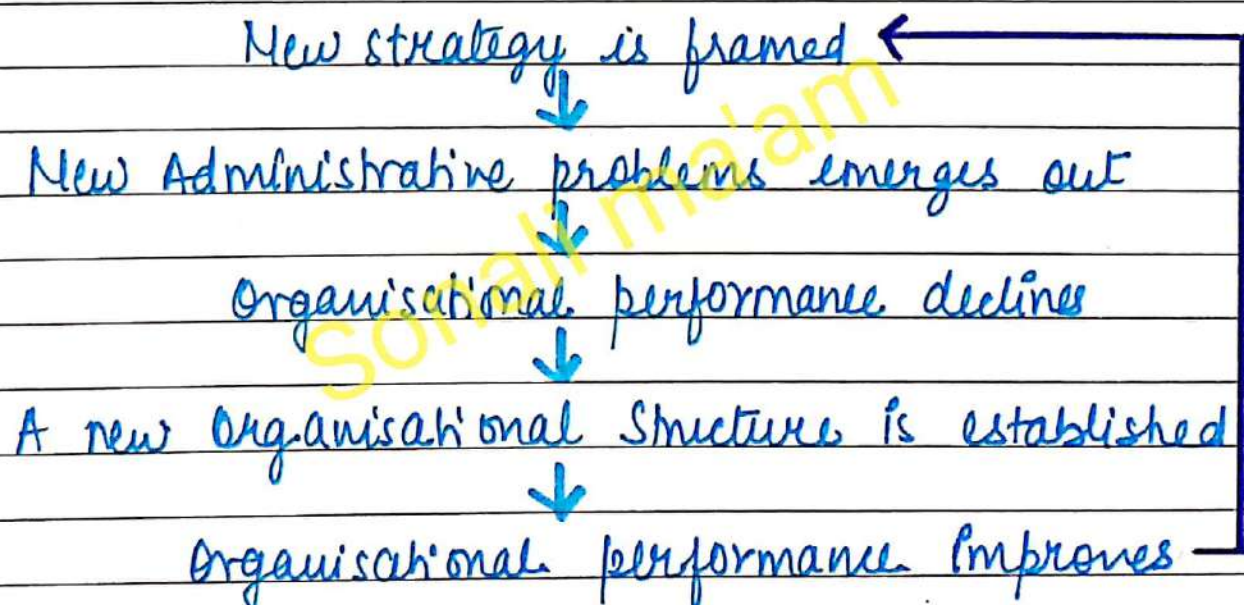
# CHAPTER 7

## ORGANISATIONAL & STRATEGIC LEADERSHIP.

### ORGANISATION STRUCTURE

- In order to implement strategies, Organisations need an Organisational structure
- Changes in the Corporate strategy often require changes in the way Organisation is structured therefore, Organisational Structure follows strategy

#### CHANDLER'S STRATEGY-STRUCTURE RELATIONSHIP



## TYPES OF ORGANISATIONAL STRUCTURE

1. Simple structure
2. Functional structure
3. Divisional/Multi-divisional structure
4. SBU Structures
5. Matrix structure
6. Network structure
7. Hourglass structure

### SIMPLE STRUCTURE

- A simple structure is an organisational form in which owner-manager makes all major decisions directly & monitors all activities, while the company's staff merely serves as an executor
- It includes - [MC:IFRS]
  - I** - Involvement of owner/Mgr = Direct
  - F** - Formalization = Little
  - R** - Rules = Few
  - S** - Specialization of tasks = Little.

## FUNCTIONAL STRUCTURE

### Meaning

- Entire work is divided on the basis of major functions performed
- 2 Levels are: Corporate Level & Functional Level

### Departmentation

- Each function = separate department
- departments can be divided into diff sections & sub-sections & work can be allocated (to each unit of Job) to lower levels.

### Advantage

- Widely Used
- Simple
- Low Cost

### Disadvantage

- Accountability
- Minimizes career devp opportunities.

## DIVISIONAL STRUCTURE

### Meaning

- Division on the basis of [MC: 4PCP]
  - G - Geographical area
  - P - Product/service
  - C - Customer
  - P - Process
- Functional activities are performed both centrally & in each division separately
- Multi-form structure is where, in which top mgt delegates responsibility of
  - day to day operations &
  - business unit strategy to divisional managers

### Top Mgt Role

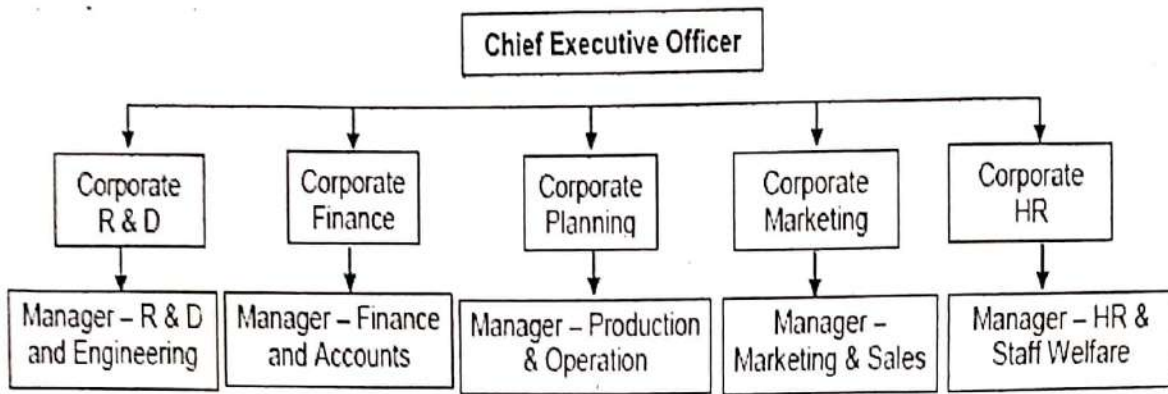
- Forming Overall corporate strategy
- Managing semi-autonomous divisions through strategic & financial controls

### Advantages

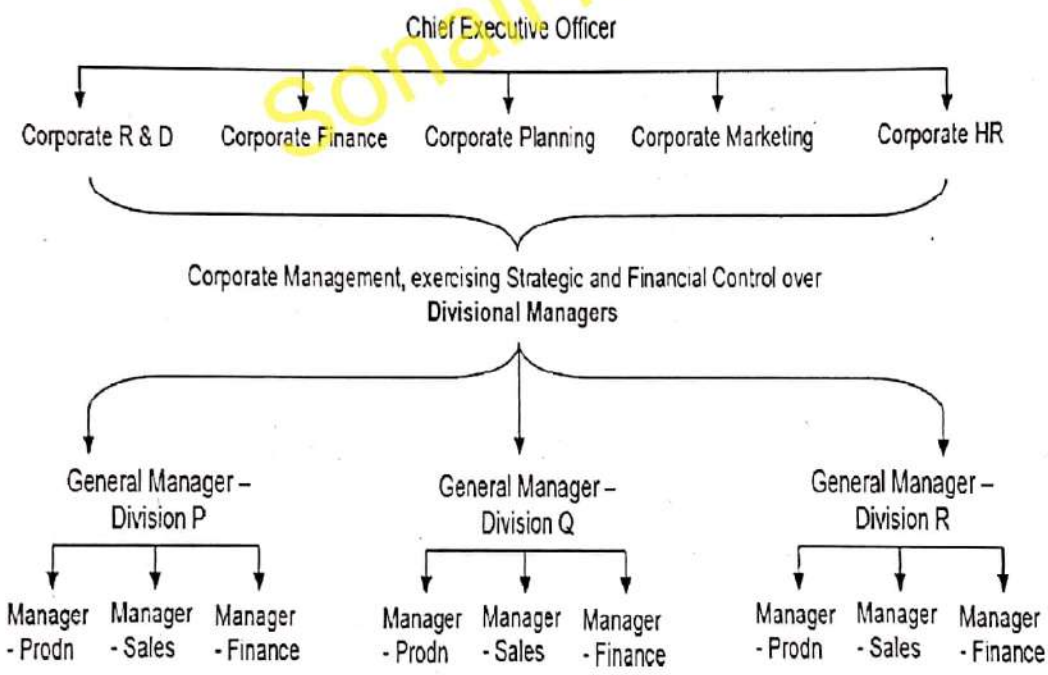
- Accountability is clear
- Career devp opportunities for managers
- Competitive climate in org
- New business can be added easily

### Disadvantages

- Structure is costly
- Only be used when org deals in few products



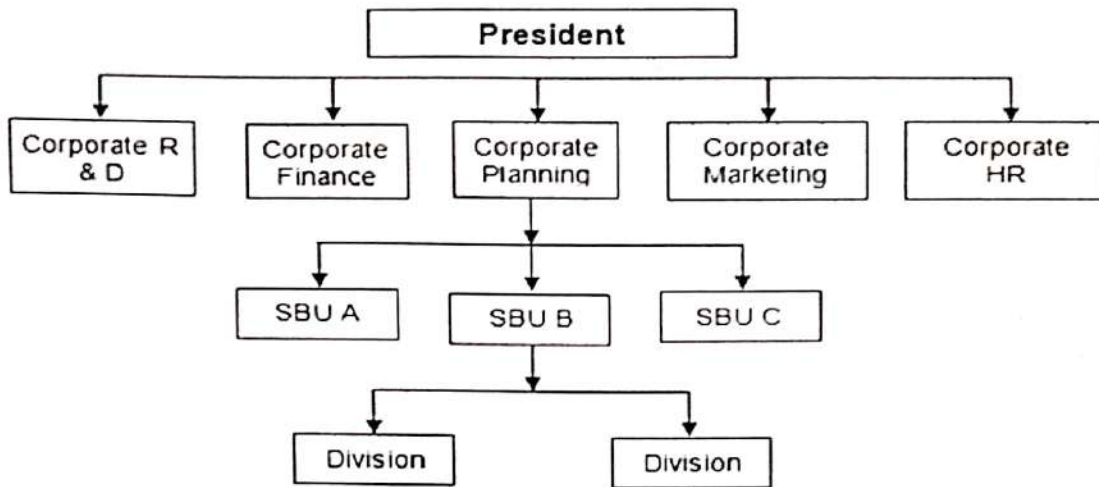
“ Functional Structure ”



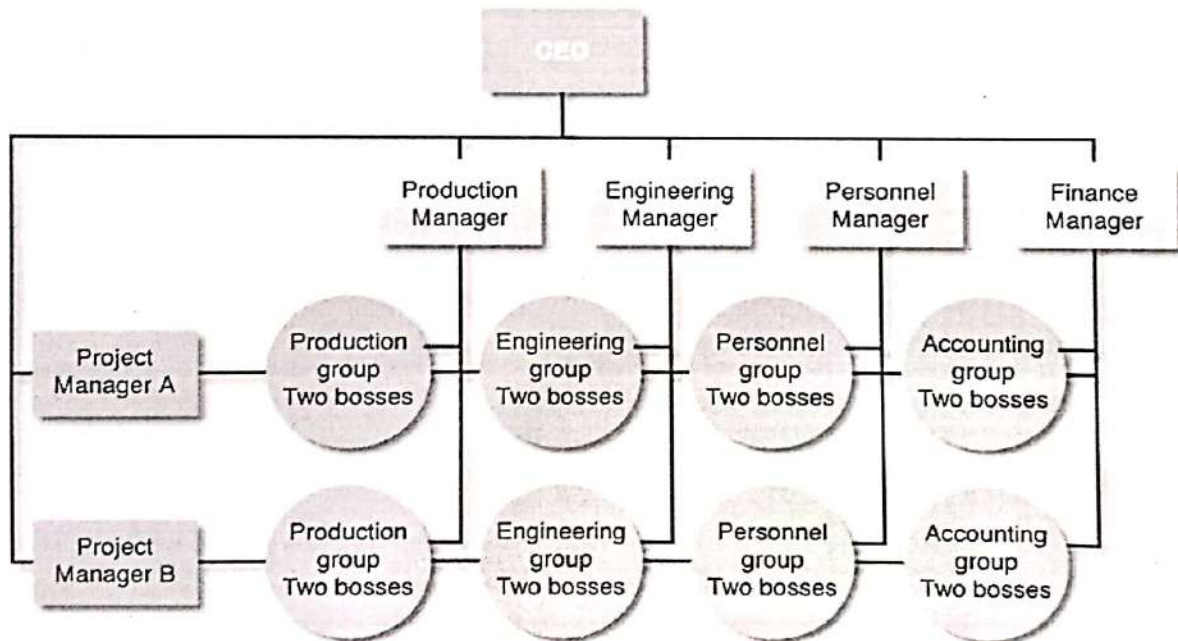
“ Divisional - Structure ”

## SBU STRUCTURE

- SBU structure consists of the following levels of management
  - Top Level → Corporate headquarters, CEO etc
  - Second Level → SBU groups
  - Third Level → Divisions related to each SBU
- Advantages
  - Divisions producing similar products, using similar technologies can be organised to achieve synergy benefits.
  - Individual SBU's are treated as profit centers
  - SBU's can react more quickly to environmental changes
- Disadvantage
  - Requires additional layer, which is costly
  - May result in inconsistency of goals
  - Difficult to define the role of managers
- Eg:- Sony has been restructuring to match the SBU structure with its 10 companies into 4 SBU's.



"SBU Structure"



"Matrix Structure"

## MATRIX ORGANISATIONAL STRUCTURE

- It is the combination of vertical & horizontal flows of authority & communication. (hence the term Matrix)
- Employees are attached to the Home department (permanent basis), report to their respective functional managers
- Employees report to the project Manager also during the period of the Project
- Thus, Employees have 2 superiors
  - functional Manager (Vertical flow)
  - Project Manager (Horizontal flow)
- This is the Most Complex of all the structures because it depends upon both vertical & horizontal flows of Authority & communication

[MC: MATRIX]

M = Most Complex

A = Assigned Project

T = Temporary Project

R = Reporting to Project & functional Managers

I = I = Y axis = functional Mgr reporting

X = X = X axis = project Mgr reporting



## NETWORK STRUCTURE

A company with Network structure which is composed of (collaborations) non-hierarchical cob-web like networks.

It includes the following features

**N**: No structure [No-hierarchy]

**E**: Elimination of in-house function [Outsourced]

**T**: Type of Virtual Structure / Organisation

**W**: Works when Environment is Un-stable

**O**: Overcome the potential partners

**R**: Response is Quick

**K**: Kobweb [cob-web] like network/structure

## HOUR GLASS

### Meaning

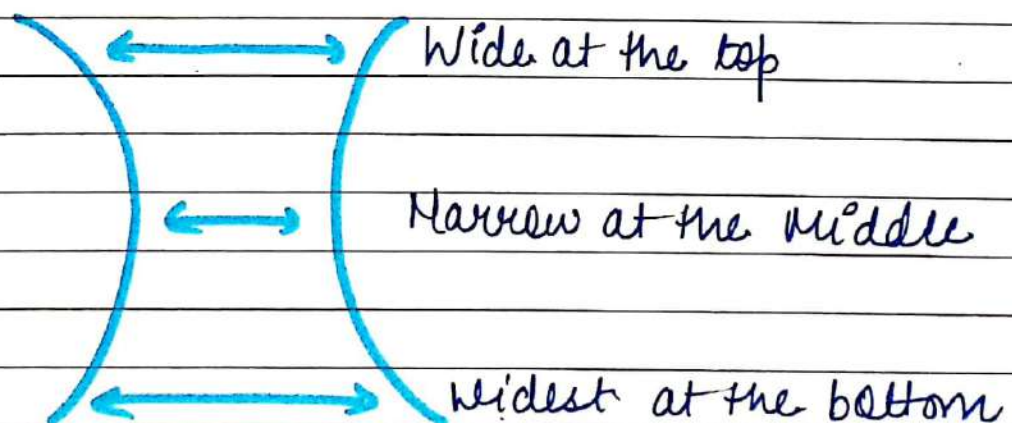
- Consist of 3 layers/levels
- Narrow in the middle [i.e. Middle Level mgt]
- IT (Infos. Tech) links top to bottom
  - ∴ Middle level manager's role gets declined.

### Advantages

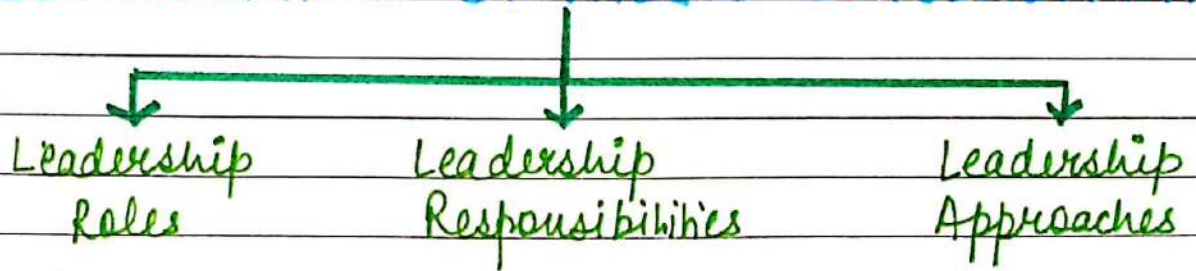
- Reduced Cost [Middle Level mgrs ↓]
- Increased response from Lower Level of mgt
- Quick decision making

### Disadvantages

- Low promotional opportunities
- Which brings monotony & Lack of Interest (Lower Level mgt)



# LEADERSHIP & STRATEGIC IMPLEMENTATION



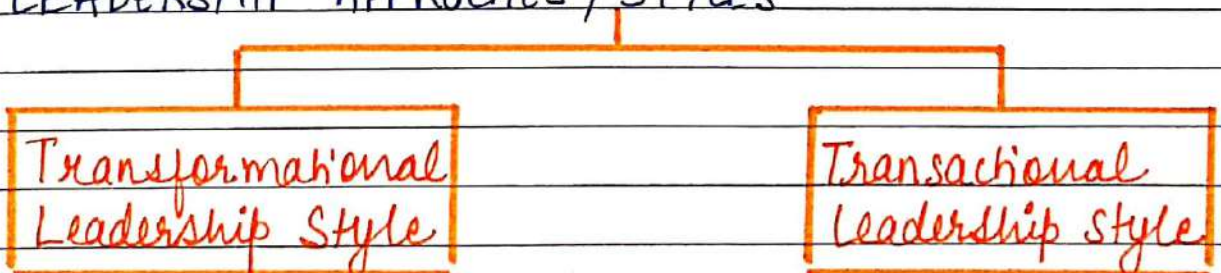
## LEADERSHIP ROLES

- Staying on the top what is happening.
- Closely monitoring progress
- Solving Issues
- Eliminating obstacles in the path of execution
- Promoting culture of "Esprit de corps"
- Keeping the firm responsive to changing conditions
- Exercising ethical leadership
- Taking corrective actions

## LEADERSHIP RESPONSIBILITIES

- Managing human capital
- Managing firm's operation
- Taking decisions
- Seeking feedback
- Motivating people

## LEADERSHIP APPROACHES / STYLES



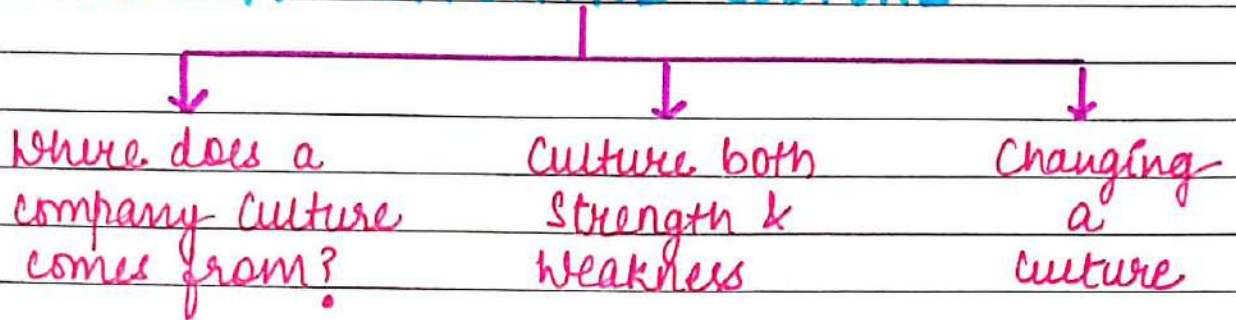
### Transformational Leadership Style

- Uses Charisma & Enthusiasm to inspire people
- Appropriate in
  - Unstable Environment
  - beginning/end days of life cycles
  - poor performing org.

### Transactional Leadership Style

- Focus more on designing systems & controlling org activities
- Associated to enhance current practices
- Uses authority of office
- More formalized approach
  - explicit rewards (achievement)
  - penalties (non-achievement)

## STRATEGY SUPPORTIVE CULTURE



Corporate culture refers to company's

- values, beliefs
- business principles
- way of operating
- internal work environment

Where does a company culture comes from?  
A company's culture is manifested in

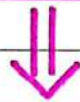
- Values, business principles that mgt < Preaches &  
Practices
- ethical standards
- stakeholder's relationship
- Employee attitude/behaviour
- Peer pressure that exist

Culture both strength & weakness

- Culture as a strength can facilitate faster communication, decision-making, control & cooperation
- culture as a weakness can obstruct the smooth implementation of strategy

## Changing a Culture

Diagnose which part of culture is strategy supportive & which are not



Talk about the aspects that have to be changed



Changing includes - revising policies & procedures



Changing Incentive compensation [reward to the desired cultural behaviour]



Praising people who display new cultural change



Recruiting new managers who can serve as role model for desired cultural behaviour



Replacing who are associated with old culture



Communicate benefits of cultural change



Implant the Culture - building values

## ENTREPRENEURSHIP & INTRA-PRENEURSHIP

### Entrepreneurship

- It involves creation of business idea
- It includes fusion of Capital, Technology, human talent

- The person who perceives the business idea & take steps to implement the idea is known as ENTREPRENEUR.

### • Role of ENTREPRENEUR

→ Initiates new concept (creativity)

→ Utilizes opportunity

→ Arranges M<sup>5</sup> [Men, Material, --- --- --- --- ---]

→ Faces Risks

→ Takes decisions

→ Responsible for profits/losses

### Intrapreneurship

- INTRAPRENEUR . represents an Employee who promotes innovation within the limits
- i.e., it operates within the boundaries of org
- He is an employee who is vested with authority of initiating creativity in the company's products & services
- Now a days, large corporations appoint intra-preneur within the org to bring.
  - operational excellence &
  - gain competitive advantage.