

Describe Strategy and Structure

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ABSTRACT:

Two essential elements of organisational design and management are strategy and structure. This summary gives a general overview of how strategy and structure are related, emphasising their interdependence and impact on organisational success. It looks at how an organization's strategy affects the way its structure is designed, and how the organisational structure, in turn, may help or hinder how well a plan is implemented. The abstract explores numerous organisational structure types, including matrix, network, functional, and divisional structures, as well as how well they fit with distinct strategic orientations. It also looks at the idea of fit between strategy and structure, highlighting how crucial it is to have both work together to improve organisational performance. The abstract also explores how leadership affects organisational adaptation and strategy-structure alignment. It explores the difficulties and factors to be taken into account while planning and managing the interaction between strategy and structure, including the need for adaptability, innovation, and flexibility. Overall, the abstract emphasises how important it is to have a strategy and structure that are in sync while attaining organisational objectives and adapting to changing business circumstances.

KEYWORDS:

Objectives, Management, Structural, Strategy, Strategic.

I. INTRODUCTION

Two key components of organisational design and management are strategy and structure. For organisations to successfully accomplish their objectives and carry out their missions, the link between strategy and structure is essential. Structure is the formal framework and arrangement of jobs, duties, and interactions inside the organisation. Strategy is the plans and activities an organisation takes to accomplish its goals. It's common to refer to the link between strategy and structure as reciprocal. On the one hand, an organization's strategy affects the way it is structured. By dictating how activities are organised, decision-making processes are structured, and resources are distributed, an organization's strategic direction, goals, and objectives determine its structure. To facilitate the execution of various initiatives, various organisational structures could be necessary. For instance, a functional structure that promotes efficiency and specialisation can support a cost leadership strategy, but a differentiation strategy would call for a more adaptable and creative structure that encourages innovation and adaptation [1], [2].

On the other side, the organisational structure may also have an impact on how the organization's strategy is developed and implemented. Information flow, avenues of communication, and decision-making power inside an organisation are all governed by its structure. It may either make it easier or harder for the organisation to carry out its plan. Coordination, cooperation, and effective resource allocation may all be improved by a properly aligned structure, while organisational performance can be hampered by a poorly aligned structure [3], [4].

Organisational structures come in many different forms, including matrix, functional, divisional, and network structures, among others. Each structure has pros and cons of its own, and the best structure for a given organisation will depend on its size, industrial environment, and strategic direction. In order to adapt to changing surroundings and plans, organisations may also use hybrid or flexible structures. For an organisation to function effectively, strategy and structure must work together. It entails coordinating

the structural components of the organisation, such as reporting lines, decision-making procedures, and coordination systems, with its strategic objectives and top priorities. An organisation may use its strengths, resources, and competencies to gain a competitive advantage and adapt to market changes if its strategy and organisational structure are well-aligned[5], [6].

To ensure that strategy and structure are in sync, leadership is crucial. The strategy of the company, how it affects the organisational structure, and the need of adaptability and change must all be understood by effective executives. They are in charge of supervising the organisational design process, aiding the execution of the selected strategy, and forming the organisational structure. A well-aligned strategy and structure may be achieved, but it is not without difficulties. Organisations must strike a balance between the demands for flexibility, creativity, and change responsiveness with the demands for stability and efficiency. They need to be able to modify their architecture when their tactics change and the environment changes. This necessitates constant monitoring, review, and modification of the strategy-structure connection. The interaction between strategy and structure is essential for the success of an organisation. Organisations may execute their strategic objectives successfully, distribute resources effectively, and adapt to changing market circumstances when their strategy and structure are in sync. In controlling and defining the interaction between strategy and structure, leadership is essential. Organisations may improve their performance, competitiveness, and capacity for long-term success by carefully analysing how strategy and structure interact. In addition to the reciprocal link between strategy and structure, it's critical to understand how the external environment affects both components. Market circumstances, technical developments, and social changes may have a substantial influence on an organization's strategy and structural needs since it operates in a dynamic and developing environment. To be relevant and competitive, organisations must regularly evaluate and modify their strategies and structures [7], [8].

Furthermore, a comprehensive approach to strategy and structure is necessary given the complexity and interconnection of contemporary organisations. It is insufficient to concentrate just on one component without taking into account how it affects the other. Organisations must adopt a systemic perspective, taking into account how changes in strategy may need modifications to the structure and vice versa. By getting all the parts of the organisation working together harmoniously to fulfil the organization's strategic objectives, this integrative approach aids organisations in maximising their performance. In the framework of strategy and structure, the function of internal communication and information flows is equally crucial. Coordination, cooperation, and decision-making are made easier and more efficient when information is shared and communicated effectively, ensuring that the appropriate people get the correct information at the right time. This is especially crucial in complicated and big organisations where several departments must cooperate effectively to carry out the strategy plan [9], [10].

Last but not least, for organisational learning and development, constant strategy-structure relationship monitoring and assessment are crucial. Organisations must collect feedback, evaluate performance, and make appropriate modifications when plans and structures are put into action. Organisations may discover areas of misalignment, gaps, or inefficiencies using this iterative approach, and then implement corrective measures to improve the alignment of strategy and structure. As a result, strategy and structure have a dynamic and reciprocal connection in which one affects and is impacted by the other. Organisations may successfully execute their strategic objectives, adapt to changing circumstances, and achieve organisational success when their strategy and structure are well-aligned. This necessitates taking a systematic approach, taking the surrounding environment into account, effectively communicating, and conducting continual monitoring and assessment. Organisations may position themselves for development, innovation, and long-term competitive advantage by regularly evaluating and aligning their strategy and structures.

II. DISCUSSION

The American business historian Alfred DuPont Chandler is often credited with the phrase "structure follows strategy." Chandler's claim is not a theory, but rather a conclusion derived from his case studies of the growth of significant American corporations during the mid-19th century. This observation,

however, was consistent with the contingency perspective, which holds that a firm would only reach its full performance potential if its organisational structure both optimally supported the pursuit of its goals and could be modified in response to the strategy selected to achieve those goals. Chandler was one of the first to use the word "strategy" in a business context and to represent both strategy and structure as the outcomes of management decisions rather than treating them as givens when analysing the link between strategy and structure. These concepts are largely regarded as some of the most important ones to have appeared in management literature throughout the 1960s and 1970s and served as a significant catalyst for the creation of strategy as a discipline of academic study. The detailed discussion of the theory around the connection between strategy and structure is provided here. Following that, there is a review of the actual data supporting this link and an evaluation of the impact of the idea of "strategy and structure" on management activity.

Fundamentals

In his early writings, Chandler made the argument that an organization's design or structure derives from or is dictated by its strategy for attaining its goals, particularly its growth goals. He described strategy as the selection of an organization's fundamental long-term goals and objectives, the adoption of action plans, and the allocation of the resources required to achieve these goals. Chandler did not technically differentiate between various sorts of strategy, but the examples he used in his writings imply that he did. In contrast to the strategic choices that are normally made at the business unit level, such as product design and pricing, Chandler seemed to be referring largely to corporate-level plans. He spoke about the hierarchy's design (such as its lines of power and communication) and the information flow within this hierarchy when referring to an organization's structure. He made a number of reasons, one of which was that the multidivisional organization's establishment under the control of a corporate head office was an organisational reaction to support diversification and internationalisation goals. The concept of a contingent link between strategy and structure has been used in a variety of theoretical views, although not being a theory in and of itself. However, there has been continuous discussion that peaked in the 1970s and 1980s over the precise form, directionality, and temporal dimension of this connection, the variables that underlie it, and—to a lesser extent—the circumstances under which it persists.

Chandler largely regarded the requirement for organisational efficiency as the causal relationship between strategy and structure. He holds the belief that top management develops relatively stable, long-term strategic objectives before aligning the organisation to facilitate the most effective attainment of these objectives. This viewpoint is shared by what Henry Mintzberg referred to as the design school of strategic management. His view that strategy precedes structure in a temporal sense is based on this belief. Contrarily, organisational ecology derives the temporal ordering between strategy and structure from an organization's need for peripheral features, like its administrative structure, to adapt to its core features, like its strategy. Instead, organisational ecology does not use the realisation of managerial intentions or objectives as its driving force.

The directionality of the strategy-structure link was questioned by writers in the 1970s, both in terms of timing and causality. Structure may precede, limit, and guide strategy for a number of reasons that have been put up. First, some organisational structures may have an impact on managers' strategy development and formulation repertoires, cognitive processes, and skills and abilities at the individual or organisational levels. Organisational structures are described as being very ubiquitous in this environment such that they may have subtle implications on strategic decision-making. They do this, in part, by reducing the range of strategic options open to managers. Second, rather than being created by top management, many strategic ideas and initiatives may originate from lower rungs of the organisational structure. The organisational context influences the information flows via which these strategic ideas are communicated and how they are digested. It also offers an incentive structure for these ideas to be submitted in the first place. In this manner, structures may affect the substance of an organization's strategy as well as the procedures involved in implementing it (such as the adoption and character of strategic planning processes). Third, organisational structures may have an impact on not just how effectively strategic goals are chosen, but also how well they are executed. Specifically,

systems like the multidivisional organisation are thought to decrease opportunism among division managers and encourage the development of strategies that serve overall company objectives. Fourth, when the environment is changing quickly, buildings could come first. In these circumstances, developing long-term plans may not be as performance-enhancing as quick strategic responses to risks and opportunities. Therefore, it is the responsibility of senior management to provide organisational circumstances, including organisational structures, that enable the quick creation and execution of plans.

The discussion summarised above leads to the conclusion that strategy and structure are mutually dependent, a point that even Chandler himself emphasised in his later works. The At least in part, the concept of temporal and causal ordering relies on the particular factors taken into account. The focus (i.e., on top versus lower-level management as organisational actors), where the focus is (i.e., on corporate or business unit strategies are being analysed, and which aspects of organisational structures are included in this analysis), as well as the environmental circumstances of the organisations under study. Contrary to the viewpoints described above, configuration methods are more concerned with adhering to overarching organisational configurations, archetypes, or "gestalts" than they are with establishing a causal or temporal ordering between strategy and structure. Different traits or parts of strategy and structure tend to converge in such configurations for a number of reasons that have been suggested by configuration methods.

The most traditional contributions to this body of literature focus on the concept of "fit," or the notion that certain organisational elements may complement and reinforce one another. Tight coupling of many characteristics increases these advantages and lessens the risk of rival copying. Other methods incorporate the idea of deeply ingrained organisational norms, beliefs, or "interpretive schemes" that influence the adoption of both strategic goals and organisational traits, causing these traits to group together in predictable patterns. The complementarities between (certain parts of) these two criteria have been the focus of more recent assessments of fit between strategy and structure.

If raising the level of one element improves the minor advantages of the other, the connection between the two is said to be complimentary. The existence of complementarities between two components may depend on other factors, such as an environment. The complementarity approach does not qualify as a theory since it does not provide explicit predictions about the variables that could interact in complementary ways or the boundaries within which these complementarities might hold. The concept that structure and strategy may reinforce one another without the necessity for a one-way cause-and-effect connection, however, is more tractable when the interaction between them is modelled as complimentary.

Importance

Three different forms of empirical research have looked at the nature of the connection between strategy and structure since it was first proposed. A first wave of writers have extended Chandler's historical viewpoint to more current eras and various geographic areas, particularly Western Europe. This 1970s-era literature primarily supported the notion that structure would come after strategy. A second set of writers started to investigate theories about the connection between strategy and structure in the 1980s using regression-based and choice-theoretic methods. A growing number of papers started using longitudinal designs to examine the sequential and causal interaction between strategy and structure, although some early contributions to this field employed cross-sectional data to explore the nature of this connection. Overall, this data unequivocally supports the reciprocal nature of the link between strategy and structure. However, the bulk of these studies come to the conclusion that the relationship between strategy and structure is often stronger and more direct than the relationship between strategy and structure, supporting Chandler's initial claim that structure follows strategy. The association between strategy and structure also seems to remain true under conditions that are quite tumultuous.

A third set of writers has looked at how well strategy and structure (or aspects of them) fit in terms of how well a business performs. Studies in this area that have concentrated on the interplay of certain, fairly well-defined components of strategy and structure are rather rare. The study of complementarities or fit in whole organisational systems incorporating various aspects of strategy and structure has been

the focus of a significantly greater number of contributions. Overall, the data generated by both methods supports the claim that an organization's performance is improved when its strategy and organisational structure are perfectly matched. Some scholars do, however, warn against tight linkage since it might prevent organisations from changing. In especially during the 1980s, the concept that strategy and structure should fit together ideally had a great impact on applied management literature. The alignment of the two concepts is key to the "Seven-S framework" put out by Tom Peters and Robert Waterman.

The performance of an organisation is influenced by its strategy, structure, skills, personnel, processes, style, and higher-level objectives (respectively, "shared values"). They are discussed in Peter Drucker's management works as well. The strategy-structure link, however, has steadily lost significance in management literature since the mid-1990s.

III. CONCLUSION

One of the most important aspects of organisational design and management is the interaction between strategy and structure. Organisations may pursue their objectives successfully, adapt to changing contexts, and perform better when their strategy and structure are in sync. This link is reciprocal, which emphasises how strategy affects structure and vice versa and emphasises the necessity for an all-encompassing, integrated plan. Strategic decisions affect how tasks are organised, where decision-making authority is dispersed, and how resources are allotted within an organisation. In turn, the organisational structure offers the foundation for putting the selected strategy into practise, enabling collaboration, communication, and effective resource management. The execution of a plan may be hampered by inefficiencies, communication problems, and structural misalignments.

Strategic alignment with organisational structure needs serious thought and continual evaluation. In order to ensure that reporting lines, decision-making procedures, and coordination frameworks support the intended strategic objectives, organisations must align their organisational structure with their strategic goals. Making strategic choices, influencing organisational change when necessary, and defining the link between strategy and structure are all crucial functions of effective leadership. It is critical to recognise how strategy and structure are impacted by the outside environment. To react to market dynamics, technology breakthroughs, and changing client needs, organisations must constantly assess and modify their strategies and structures. In a fluid corporate environment, flexibility and agility are crucial for managing the link between strategy and structure.

Furthermore, bridging the gap between strategy and structure depends on good communication, information flows, and teamwork. Clear and open lines of communication make it easier to convey strategic objectives, ensure that everyone understands them, and improve coordination within the organisation. The exchange of information promotes the alignment of strategy and structure and allows for quick decision-making. The interaction between strategy and structure is a crucial factor in the creation and administration of organisations. Organisations are better equipped to take advantage of opportunities, overcome obstacles, and accomplish their strategic goals when their strategy and structure are in sync. Organisations may improve performance, maintain long-term success in a business environment that is continually changing, and increase their competitive edge by regularly evaluating and altering the link between strategy and structure.

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