Undergraduate Diploma in
Business Administration

[Module 5 – Strategic Management]

Lectures Title 8 :

Selecting Corporate-Level Strategies
Part B

Date: 28 June 9.00-13.00 Hrs
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21 ACADEMY

Undergraduate Diploma in
Business Administration

Lecture 7 – Selecting Corporate-Level Strategies – Part B

6. How can you execute an effective strategy through Organizational Design?

7. How to critically analyse the strategic position and interrelated functions of Production and Operations Management in organizations for strategic management?"

8. How do you consider all the different functional areas as part of an integrative approach?

9. How can you synthesize the knowledge gained from other business modules, bringing together into a comprehensive understanding of the concepts supporting competitive advantage?

Groups Exercise

- Competing in International Markets:

1. What are the benefits and advantages?

2. What are the challenges?

Competing in International Markets

- International strategy is the third and final type of strategy.

- The first, generic business-level/competitive strategy, is how companies directly compete with rivals on their products and services.

- Corporate strategy is how a firm might diversify to compete in other industries or expand geographically to reduce risk and grow profits.

- In international strategy, a firm may desire to expand by entering into new foreign markets or to lower its costs.

- There are advantages and opportunities when going international, but it is not without risks.

- There are several tools that firms use to help them assess their potential success when their strategic management process points them abroad.

- Firms will need to determine which one of four international strategies will work best and which method to enter another country.

- Some companies have found great success going international, while others have struggled or failed.

Why Compete in New Markets?

- Access to new customers and new markets.
- China's population is roughly four times as large as that of the United States.
- While political, cultural, and economic differences add danger to trade with China, the immense size of the Chinese market appeals to American firms.

Lowering costs

- Access to cheaper raw materials and labour have led to considerable outsourcing and offshoring.
- Call centers in India have become so sophisticated that many Indian customer service representatives take extensive language training to learn UK dialects and regional US dialects as well.

Diversification of business risk

- Business risk refers to the risk of an operation failing.
- Competing in multiple markets allows this risk to be spread out among many economies and customers.
- Coca-Cola, for example, has a presence in over 200 markets worldwide.

- The use of PESTEL can be a valuable tool in assessing the risk for a firm considering international diversification.

- Analyzing the industry within the target country could provide valuable insights on whether to enter that market or not.

- For example, if Apple were to consider shifting some of its product manufacturing to India, what do the PESTEL forces reveal for the Indian IT industry?

PESTEL Analysis of the IT Industry in India

- Political - Moderate, positive & negative: Stable government, democracy, international companies highly regulated.
- Economical - Strong, positive: Low cost labour, IT has strong growth.
- Socio-cultural - Strong, positive: Many speak English, strong education
- Technological - Strong, positive: Strong growth
- Ecological - Weak
- Legal - Moderate, negative: Highly regulated

- In conclusion, a PESTEL analysis reveals that overall it would be a positive move for Apple to do manufacturing in India, but will need to comply with many laws and regulations.

Political Risk

- Although competing in international markets offers important potential benefits, such as access to new customers, the opportunity to lower costs, and the diversification of business risk, going overseas also poses daunting challenges.
- Political risk refers to the potential for government upheaval or interference with business to harm an operation within a country.
- For example, the term “Arab Spring” has been used to refer to a series of uprisings in 2011 within countries such as Tunisia, Egypt, Libya, Bahrain, Syria, and Yemen.
- Unstable governments associated with such demonstrations and uprisings make it difficult for firms to plan for the future.

Economic risk

- This refers to the potential for a country's economic conditions and policies, property rights protections, and currency exchange rates to harm a firm's operations within a country.
- Executives who lead companies that do business in many different countries have to take stock of these various dimensions and try to anticipate how the dimensions will affect their companies.
- Because economies are unpredictable, economic risk presents executives with tremendous challenges.

Cultural risk

- This refers to the potential for a company's operations in a country to struggle because of differences in language, customs, norms, and customer preferences).
- The history of business is full of colourful examples of cultural differences undermining companies.
- For example, a laundry detergent company was surprised by its poor sales in the Middle East.
- Executives believed that their product was being skilfully promoted using print advertisements that showed dirty clothing on the left, a box of detergent in the middle, and clean clothing on the right. A simple and effective message, right? Not exactly.
- Unlike English and other Western languages, the languages used in the Middle East, such as Hebrew and Arabic, involve reading from right to left. To consumers, the implication of the detergent ads was that the product could be used to take clean clothes and make them dirty.
- Not surprisingly, few boxes of the detergent were sold before this cultural blunder was discovered.

Examples of Cultural Risk

- Provocative dress is embraced by many Americans, but many people in Muslim countries consider a woman's clothing to be inappropriate if it reveals anything besides the face and hands.
- Do you pride yourself on your punctuality? You may be wasting your time in Latin American countries, where the locals tend to be about 20 minutes behind schedule.
- Do not eat with your left hand in India or Malaysia. That hand is associated with unclean activities reserved for the bathroom.
- In many Asian and Arabian countries, showing the sole of your shoe is considered rude.
- If everything is OK when you're in Brazil, avoid making the "OK" hand signal. It's the equivalent to giving someone the middle finger.
- Do not clean your plate in China. Leaving food on the plate indicates the host was so generous that the meal could not be finished.
- In Japan, direct eye contact is viewed as impolite.

M&A Case Interview: A Messi Decision (a BCG Case)

- https://www.youtube.com/watch?v=bNJr9mui0aA

Executing Strategy through Organizational Design

- The way a firm organizes itself is critical to its ability to implement strategy.

- Organizational structure is important to achieving a firm’s strategic goals - which types of structures are deployed by firms and what control systems are used by firms.

- These organizational decisions should support and align with an organization’s mission, vision, and values to ensure ethical as well as strategic outcomes.

“Structure makes possible the application of the process of management and creates a framework of order and command through which the activities of the organisation can be planned, organised, directed and controlled.”

Mullins

The Importance of Structures (Child)

Poor structures can lead to:

- low morale;
- late and inappropriate decisions;
- conflict and lack of co-ordination;
- poor response to new opportunities and external changes;
- rising costs;

These hinder the implementation of strategies and business processes. As strategy develops and evolves, so internal structures must flex and change to fit in with the requirements.

The building blocks of organisations proposed by Mintzberg (1979)

- The operating or production core, where basic work is produced, for example a factory floor or branch outlet;
- The strategic apex, where general management occurs, for example the head office of a financial services organisation;
- The middle line, that is the managers positioned between the strategic apex and the operating core;
- the techno-structure, the analysts who design the systems for work processes;
- The support staff, who facilitate the work of the operating core, e.g. human resource management;
- the ideology of culture of the organisation.

These building blocks of the organisation are coordinated through supervision and standardisation of processes and outputs.

The choice of building blocks and coordinating mechanisms led Mintzberg to conclude that there were six major organisational configurations or structures:

1. The simple structure, which is characterised by the entrepreneurial style and which has few of the activities formalised.

2. The machine bureaucracy, following centrally established rules and principles.

3. The professional bureaucracy, where power is based on expertise not formal position in the hierarchy.

4. Divisionalised structures, in which the business is divided up into autonomous regions or product businesses.

5. The adhocracy, with few formal structures or procedures.

6. The missionary organisation, which is dominated by the culture of the organisation and relies little on structures.

Mechanistic and Organic Systems

A **mechanistic system** is characterised by:

reliance on formal rules and regulations, centralisation of decision making, narrowly defined job responsibilities and a rigid hierarchy of authority.

In contrast, an **organic system** is characterised by:

low to moderate use of formal rules and regulations, decentralised and shared decision making and a flexible authority structure with fewer levels.

Forms of Organisational Structure

Different ways of organising and structuring activities will be explored. There are a number of alternative designs:

- Functional;
- Product Specialisation;
- Geographic;
- Divisionalised;
- Matrix
- Network

Activity: Forms of Organisational Structure

What are the advantages of these forms?

- Functional;
- Product Specialisation;
- Geographic;
- Divisionalised;
- Matrix
- Network

Activity: Forms of Organisational Structure

What are the disadvantages of these forms?

- Functional;
- Product Specialisation;
- Geographic;
- Divisionalised;
- Matrix
- Network

Functional Specialisation

Definition:

Functional Specialisation involves the creation of positions and departments on the basis of specialised activities.

Functional grouping of employees is the most widely used and accepted form of departmentalisation.


Functional Organization
President
R&D Manager
Design
Development
Testing
Finance Manager
Accounting
Purchasing
Finance
Marketing Manager
Sales
Customer Service
Division Product Z
Line Supervisors
Production Teams
Distribution

Functional Specialisation (Pros)

This structure can be achieved by grouping activities together on the basis of their function, e.g. personnel, marketing, finance and information systems.

- The advantages are that this structure groups together those similar technical expertise, thus providing better co-ordination and promotion opportunities.

Functional Specialisation (Cons)

However, this type of structure can create sectional conflicts and a strong sense of territorial power.

- It is also more difficult to judge the performance of different services and products and it can slow down the response time for innovations.

- It is typified in the central head office departments.

Functional Specialisation

Significance in Practice:

- It permits clear identification and assignment of responsibilities and employees easily understand it.

- People doing similar tasks and facing similar problems work together, thus increasing opportunities for interaction and mutual support.

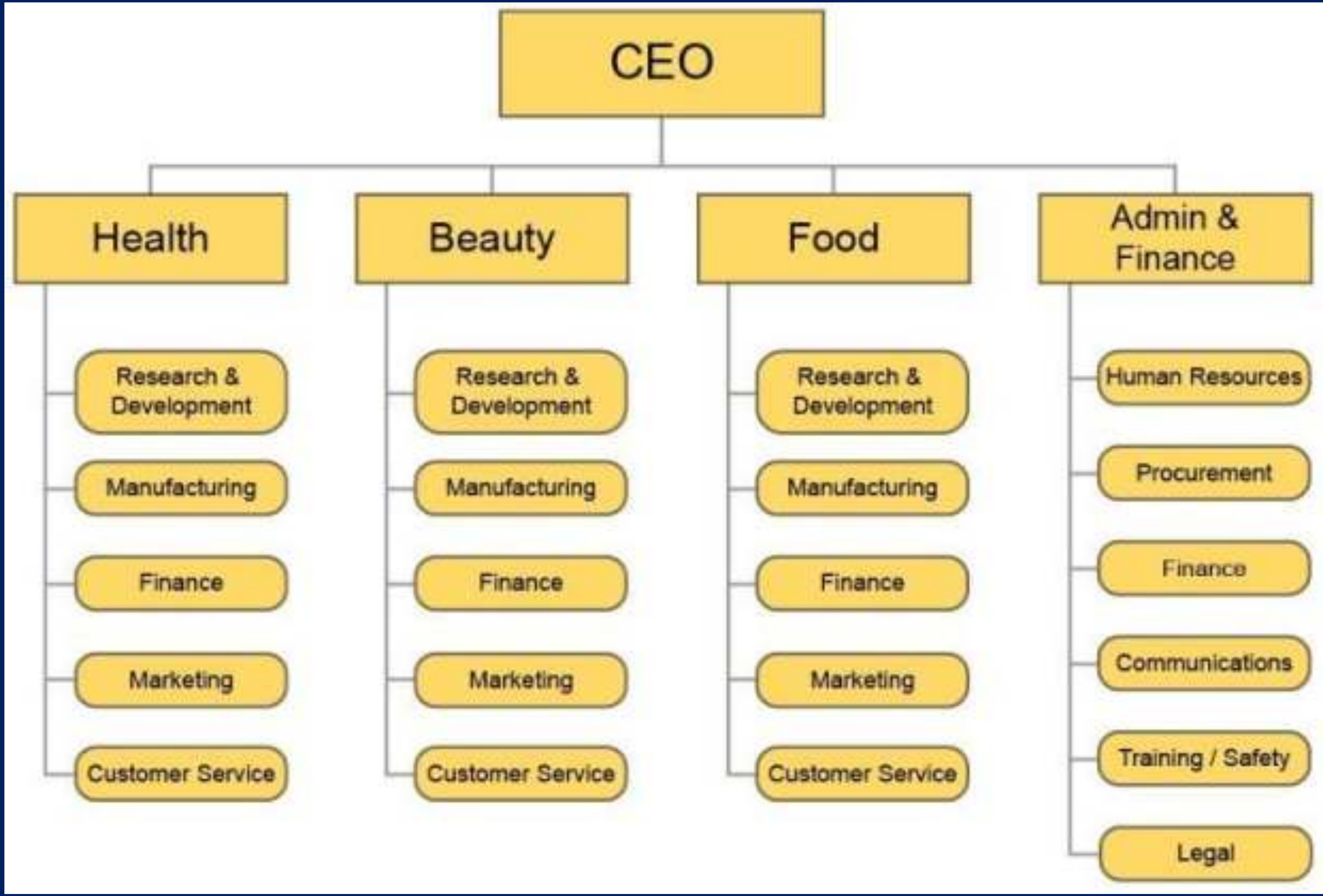
- However it fosters a limited view that focuses on a narrow set of tasks. Employees may lose sight of the organisation as a whole. Horizontal integration across functional departments is often difficult.

Product Specialisation

Definition:

Product specialisation involves the establishment of self-contained units, each capable of developing, producing, marketing and distributing its own goods or services.

Product Specialisation



Product Specialisation (Pros)

In this structure the organisation is grouped on the basis of the products developed, e.g. mortgage, lending or pensions products.

This type of structure can encourage:

- diversification, allowing individuals to cope better with technological change because expertise and specialised equipment are grouped together.
- the structure also allows units to be run as profit centres and can lead to better targets and control systems.

Product Specialisation (Cons)

However it can lead to the promotion of one product at the expense of others because the profitability of each product line and its use of resources are clearly indicated.

There is also no encouragement of functional competence because each product division will employ its own marketing, human resource staff, etc. and therefore no significant grouping of functional expertise.

Product Specialisation

Significance in Practice:

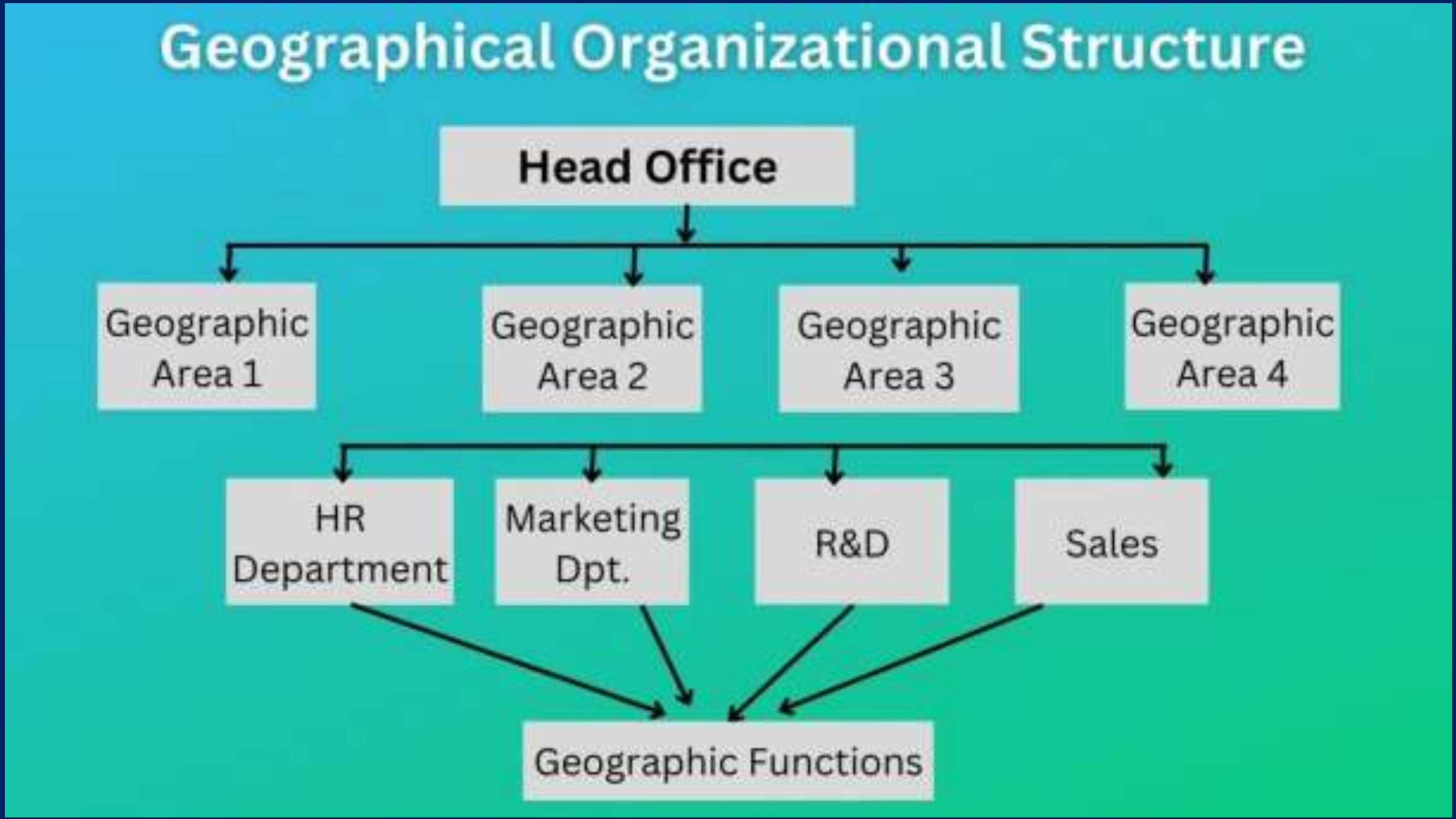
- It reduces the information overload that managers face in a purely functional organisational design.
- Each division is focused on its objectives and is then evaluated on its performance.

Geographical Specialisation

Definition:

Geographical specialisation involves establishing an organisation's primary units geographically while retaining significant aspects of functional design.

All functional groups for one geographic area are located in one location.


Geographical Organizational Structure
Head Office
Geographic Area 1
Geographic Area 2
Geographic Area 3
Geographic Area 4
HR Department
Marketing Dpt.
R&D
Sales
Geographic Functions

Geographical Specialisation (Pros)

- The structure is grouped geographically, allowing for decisions and control to be exercised at national or regional level.

- This structure enables the organisation to incorporate a sound knowledge of local markets and conditions into its strategy.

Geographical Specialisation (Cons)

- However, it can create difficulties associated with a loss or lack of centralised control.

- An example of this type of structure within the financial services sector would be the organisation of the branch network into regional groupings or indeed global companies who group their structure around countries e.g. National Australia Bank and its subsidiary Yorkshire Bank UK.

Geographical Specialisation

Significance in Practice:

- Each region faces unique challenges.
- It also serves to address cultural and legal differences in various countries.
- Each division is thus in direct contact with customers in its locale and can adopt more readily and faster to their demands.

Divisionalised Structure

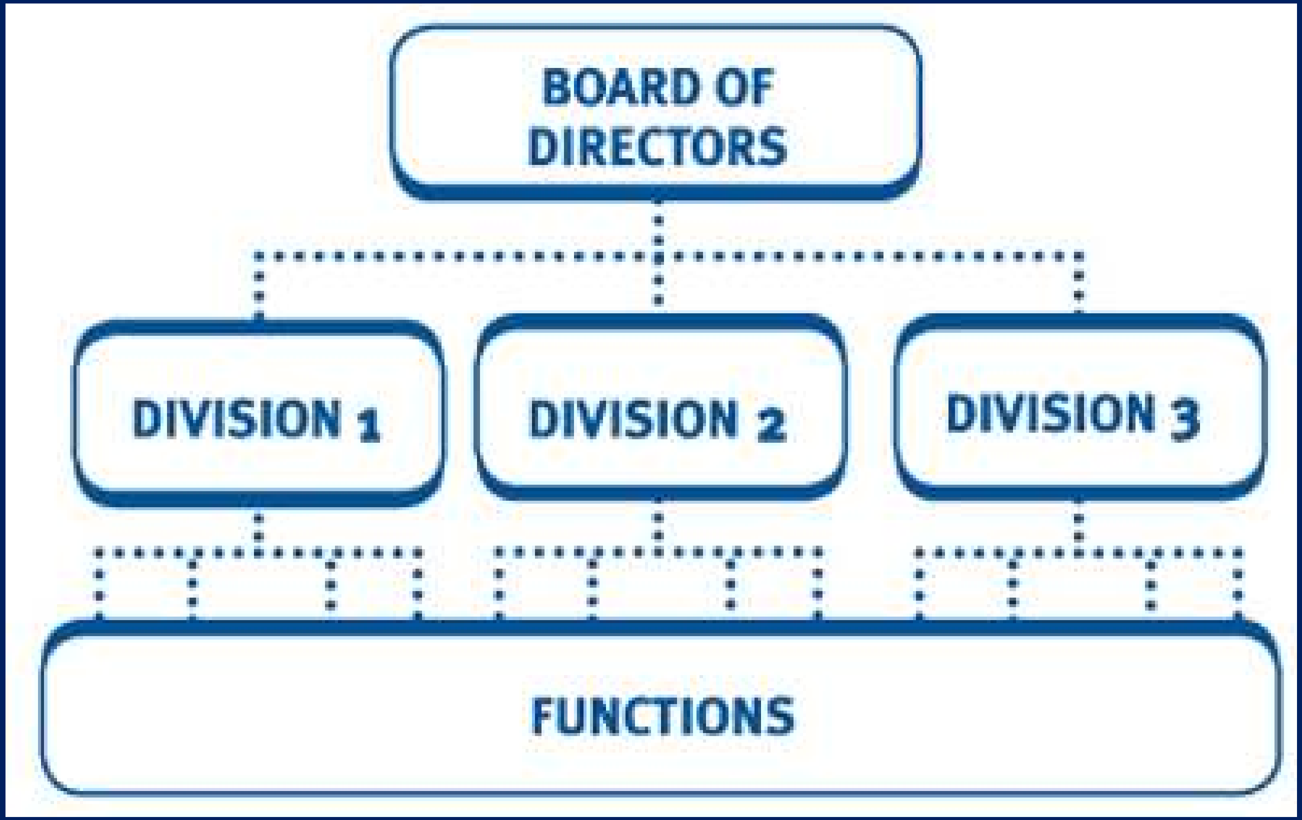
Definition:

In divisionalised structure, tasks are organised by division on the basis of the product or geographic markets in which the goods or services are sold.

Divisional managers are primarily responsible for day-to-day operating decisions within their units.

Top level corporate managers, therefore, can concentrate on strategic issues.

Divisionalised Structures

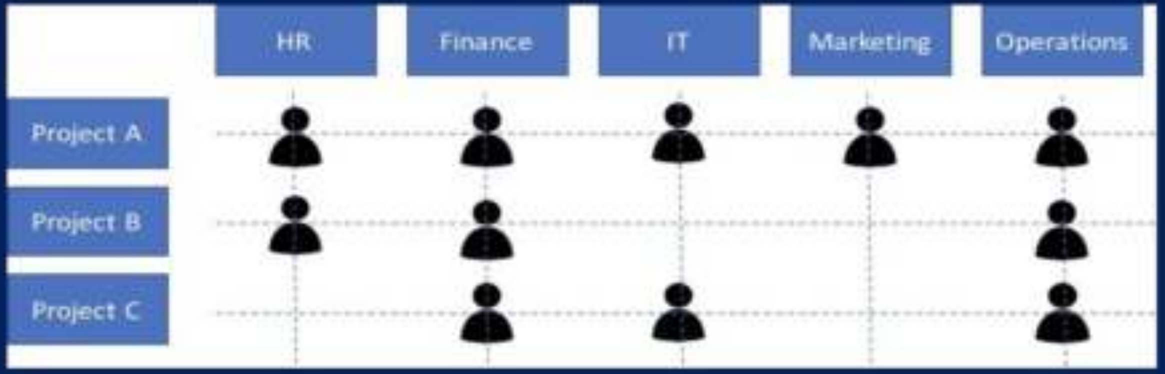


Matrix

- In a matrix structure, employees are grouped based on both their functional expertise and the projects or products they are working on.

- This structure is often used in organizations that operate in complex and dynamic environments, where flexibility and collaboration across different departments or teams are essential.

Matrix Organization



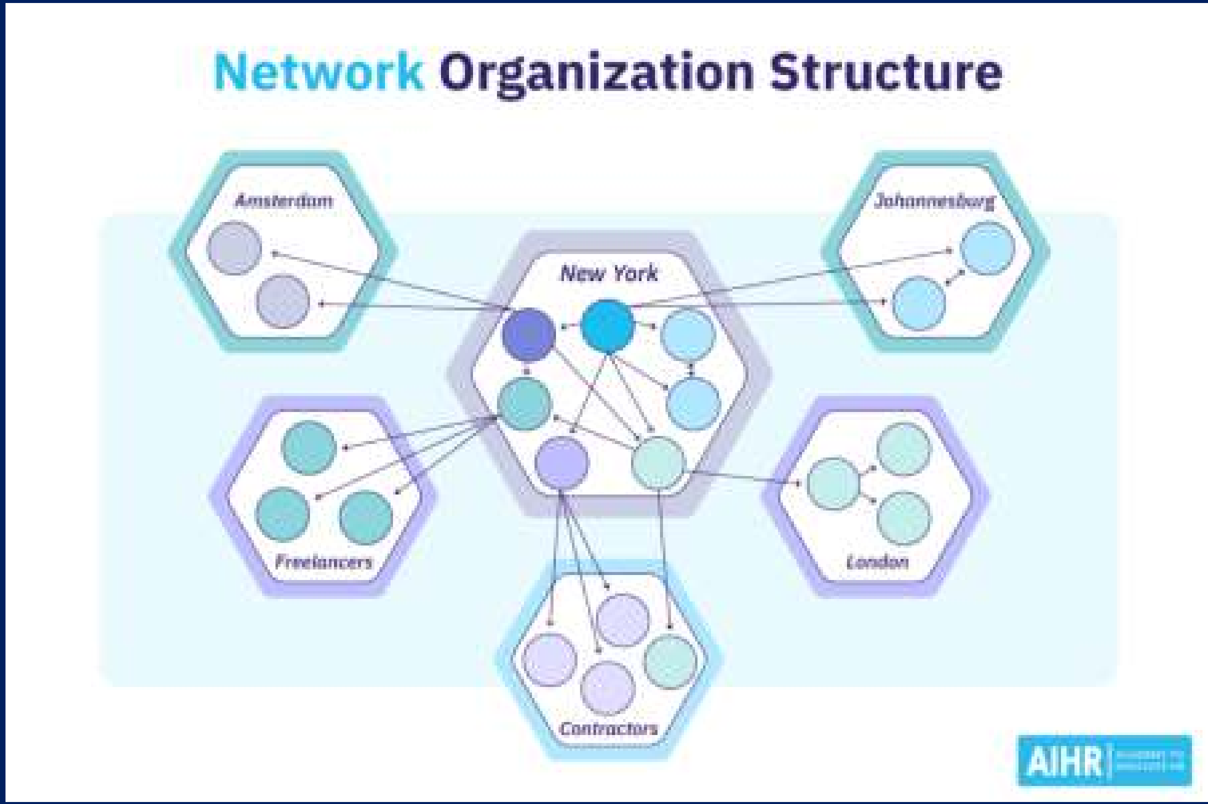
- In a matrix structure, employees have two chains of command: a functional manager and a project or product manager.
- The functional manager oversees the employee's work within their area of expertise, while the project or product manager provides guidance and direction on specific projects or products.

- This dual reporting relationship allows for cross-functional collaboration, sharing of resources, and effective communication across different parts of the organization.

https://www.youtube.com/watch?v=hJ9wbFgmtKM

Network

- A network structure, also known as a network organization or networked structure, is a type of organizational structure characterized by a flexible and decentralized approach to management.



- In a network structure, the organization is composed of a network of interconnected and interdependent nodes or units, which can be individuals, teams, departments, or even external partners and suppliers.

Harvard Business Review Reading

What are the key learning points?

- **Design Your Organization to Match Your Strategy**
- by Ron Carucci
- and Jarrod Shappell

- https://hbr.org/2022/06/design-your-organization-to-match-your-strategy

Organisational Structures: additional information

- https://www.youtube.com/watch?v=xuGh-jzupzc

- How do you consider all the different functional areas as part of an integrative approach?

- Considering all the different functional areas as part of an integrative approach involves recognizing their interdependencies and ensuring alignment towards overall organizational goals.

- Here are some key steps to consider:

- Identify Functional Areas:
- Begin by identifying the various functional areas within the organization, such as marketing, finance, operations, human resources, sales, and research and development. Each functional area plays a unique role in the organization's success.

- Understand Strategic Objectives:
- Gain a clear understanding of the organization's strategic objectives, mission, and vision. These high-level goals provide the foundation for aligning the different functional areas.

- Foster Cross-Functional Communication:
- Encourage open communication and collaboration among different functional areas. Establish channels for sharing information, insights, and challenges across departments to foster a holistic understanding of the organization's operations.

- Establish Cross-Functional Teams:
- Create cross-functional teams or task forces to address specific strategic initiatives or projects. By bringing together representatives from different functional areas, you can leverage diverse expertise and ensure multiple perspectives are considered.

- Case Study: Organizational Structure at TechNova Solutions

- Background: TechNova Solutions is a fast-growing software development company based in Ban galore, India. Founded in 2016, the company began with a team of 15 developers. By 2023, it had grown to over 500 employees with operations across India, the U.S., and Germany. Initially, the company followed a flat organizational structure to encourage collaboration and agility. However, as the company scaled, issues began to emerge.

- Challenges:
- Role Ambiguity: Employees were unclear about reporting relationships and decision-making authority.
- Delayed Decisions: With no clear hierarchy, decisions had to pass through multiple discussions and consensus, slowing down project timelines.
- Overburdened Leaders: Founders and senior managers were directly involved in day-to-day operations and approvals, leading to burnout.

- In 2024, the leadership decided to restructure the organization. They moved from a flat structure to a divisional structure, organizing the company around three key product lines: Cloud Services; AI & Analytics; Enterprise Solutions.
- Each division had its own leadership team (Head of Division, Product Manager, Sales Lead, etc.), while centralized functions like HR, Finance, and Legal remained at the corporate level. ✅

Questions

1. Identify the Organizational Structure Before and After the Change

2. Why Was the Change Necessary?

3. What Are the Advantages of the New Structure?

4. Potential Risks and How They Can Be Managed

• ✅ Model Answer:

- 1. Identify the Organizational Structure Before and After the Change

- Before:TechNova used a flat organizational structure, where there were few levels of hierarchy. Teams operated collaboratively, and most employees reported directly to the senior management.After:TechNova adopted a divisional structure, segmenting the organization by product lines. Each division operates semi-autonomously with its own leadership.
- 2. Why Was the Change Necessary?
- The change was driven by:Growth Complexity: As employee numbers grew, informal communication and decision-making became inefficient.Role Confusion: Employees didn't know who to report to or who held decision-making authority.Managerial Overload: Founders and top executives couldn't focus on strategy because they were involved in operational tasks.

- 3. What Are the Advantages of the New Structure?
- Clear Accountability: Each division has its own leadership, improving decision-making and responsibility.Faster Decision-Making: Division heads can make product-level decisions without always involving central leadership.Scalability: The company can expand into new markets or add product lines without disrupting the entire organization.Focus: Leaders can now focus on strategic planning and innovation rather than day-to-day issues.

- 4. Potential Risks and How They Can Be Managed

- Risks:Duplication of Effort: Different divisions might develop overlapping solutions or services.Silo Mentality: Divisions might prioritize their own goals over the company's overall objectives.Resource Allocation: Competition for central resources (like HR or Finance) might create internal conflict.Mitigation Strategies:Use cross-functional committees to coordinate across divisions.Maintain strong corporate governance to align divisional goals with the company vision.Introduce shared KPIs (e.g., customer satisfaction, overall profitability) to foster collaboration.5. Lessons LearnedOrganizational structures must evolve with the size and complexity of the company.A flat structure is great for startups but may not suit large, multi-product firms.A divisional structure can enhance autonomy, accountability, and responsiveness.

- Set Clear Roles and Responsibilities:
- Clearly define the roles and responsibilities of each functional area in contributing to the overall strategic objectives. This helps avoid overlaps, gaps, and conflicts and ensures everyone understands their specific contributions towards the organization's success.

- Align Functional Strategies:
- Each functional area should develop its own strategies and action plans that align with and support the overall organizational strategy. Regularly review and update these strategies to ensure continued alignment with changing business needs.

- 📌 Conclusion:The case of TechNova Solutions demonstrates that the right organizational structure depends on company size, product diversity, and strategic goals. Transitioning from a flat to a divisional structure helped TechNova manage growth, streamline decision-making, and prepare for global expansion.

- Collaborate on Planning and Decision-Making:
- Involve representatives from different functional areas in the planning and decision-making processes. This collaborative approach ensures that decisions consider the implications and requirements of multiple functions, leading to more effective and integrated outcomes.

- Share Performance Metrics and Evaluation:
- Establish shared performance metrics and evaluation criteria that consider the contributions and outcomes of each functional area. This promotes a shared understanding of performance expectations and encourages collaboration to achieve common goals.

- Encourage Continuous Improvement:
- Foster a culture of continuous improvement across functional areas. Encourage employees to share best practices, lessons learned, and innovative ideas to drive organizational effectiveness and efficiency.

- Regularly Review and Adjust:
- Continuously monitor and review the performance and alignment of functional areas with the overall organizational strategy. Regularly assess the effectiveness of the integrative approach and make adjustments as necessary to ensure ongoing alignment and success.

- By considering all functional areas as part of an integrative approach, organizations can leverage the synergies between departments, enhance communication and collaboration, and achieve greater overall organizational effectiveness.

- How to critically analyse the strategic position and interrelated functions of Production and Operations Management in organizations for strategic management?"

- Analyzing the strategic position and interrelated functions of Production and Operations Management (POM) in organizations for strategic management requires a comprehensive approach.

- Here are some steps to critically analyze the strategic position and interrelated functions of POM:

- Understand the Organizational Strategy:
- Start by gaining a deep understanding of the overall strategic direction and goals of the organization. This includes examining the mission, vision, and objectives, as well as any relevant strategies or plans.

- Evaluate the External Environment:
- Conduct an analysis of the external environment to identify factors such as market trends, competitive landscape, customer expectations, and regulatory influences. This analysis helps to identify the strategic challenges and opportunities that POM must address.

- Assess Internal Capabilities:
- Evaluate the internal capabilities of the organization, particularly in terms of production and operations. This includes analyzing the resources, technologies, infrastructure, and skills available for managing production and operations effectively.

- Analyze the Strategic Fit:
- Assess the alignment between the organization's overall strategy and its production and operations strategy. Evaluate how effectively POM supports the achievement of strategic objectives and competitive advantage. Identify any gaps or areas for improvement.

- Identify Key Functions and Processes:
- Identify the key functions and processes within production and operations, such as capacity planning, inventory management, quality control, supply chain management, and lean manufacturing. Evaluate how these functions contribute to the overall strategic objectives of the organization.

- Evaluate Performance Metrics:
- Analyze the performance metrics and key performance indicators (KPIs) used to measure the effectiveness and efficiency of production and operations. Assess how well these metrics align with the strategic goals and whether they provide meaningful insights for decision-making.

- Consider Interrelationships and Dependencies:
- Understand the interrelationships and dependencies between production and operations and other functional areas within the organization, such as marketing, finance, and human resources. Evaluate how these interactions impact the overall strategic management of the organization.

- Identify Opportunities for Improvement:
- Based on the analysis conducted, identify opportunities for improving the strategic position and interrelated functions of production and operations. This may involve streamlining processes, adopting new technologies, implementing quality improvement initiatives, or optimizing the supply chain.

- Develop Action Plans:
- Develop action plans to address the identified opportunities and challenges. These plans should outline specific steps, timelines, responsibilities, and resource requirements for implementing changes and improvements in production and operations.

- Monitor and Adjust:
- Continuously monitor the performance of production and operations against the strategic objectives. Regularly review and adjust the strategies and actions as needed to ensure ongoing alignment with the organization's overall strategic management goals.

- How can you synthesize the knowledge gained from other business modules, bringing together into a comprehensive understanding of the concepts supporting competitive advantage?

- Synthesizing knowledge from different business modules to develop a comprehensive understanding of the concepts supporting competitive advantage involves

- integrating key concepts,
- identifying relationships, and
- applying them to real-world scenarios.

- Here's an approach to accomplish this:

- Identify Key Business Modules:

- Begin by identifying the relevant business modules that contribute to competitive advantage.

- These may include modules such as strategic management, marketing, operations, finance, human resources, and innovation.

- Extract Key Concepts:

- Review each business module and extract the key concepts and theories that are relevant to competitive advantage.

- These may include concepts such as value creation, differentiation, customer segmentation, cost leadership, resource-based view, marketing mix, supply chain management, talent acquisition, financial analysis, and innovation strategies.

- Analyze Interconnections:

- Identify the interconnections and relationships between the concepts from different modules.
- For example, how marketing strategies contribute to differentiation, how operational efficiency affects cost leadership, or how human resource management impacts organizational capabilities.
- Consider the cause-and-effect relationships and dependencies between these concepts.

- Conduct Comparative Analysis:
- Conduct a comparative analysis of different companies or industries to understand how they have leveraged different concepts to achieve competitive advantage.
- Compare their strategies, operational practices, marketing approaches, and organizational capabilities to identify common patterns and best practices.

- Integrate Findings:

- Synthesize the knowledge gained from various business modules, case studies, and analyses to develop a comprehensive understanding of the concepts supporting competitive advantage.

- Identify overarching principles and frameworks that can guide strategic decision-making and enhance the organization's competitive positioning.

- Continuously Update and Learn:

- Competitive advantage is dynamic and subject to change.

- Stay updated with the latest research, industry trends, and emerging concepts to ensure the continuous development of knowledge and the ability to adapt strategies accordingly.

- **Summary**

- **What Is Strategy? Complete Guide to the Strategic Planning Process - From Planning to Execution**

- https://www.youtube.com/watch?v=h7u1vV4ZQ9I