

Organization Theory/Structure and Design
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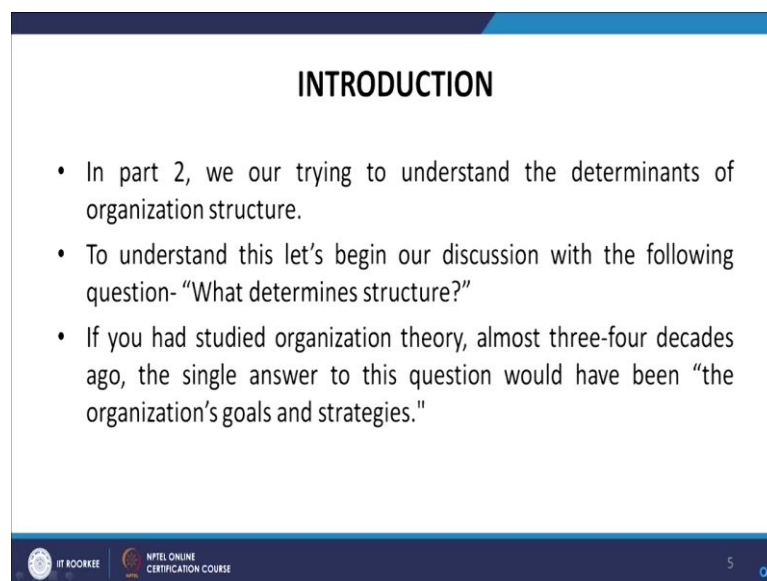
Lecture - 11
Strategy - I

Welcome to the course on Organization Theory Structure and Design. We are starting with part 2 of this course that is the determinants of organizational structure. Module 11 to 23 will cover the various components of the determinants of organizational structure. Specifically speaking module 11, 12 and 13 will cover the components of strategy in this course.

So let us start with module 11 and these are the things that will be covered in this module. So we will start with defining a strategy and understanding how it is different from organization goals. Then we will understand different views on organizational strategy, thereafter we will explain different types of strategy and its impact on organization structure and thereafter then we will study comparing business levels with corporate level strategy.

So to start and to introduce this module. In part 2, we are trying to understand the determinants of organization structure.

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INTRODUCTION

- In part 2, we are trying to understand the determinants of organization structure.
- To understand this let's begin our discussion with the following question- "What determines structure?"
- If you had studied organization theory, almost three-four decades ago, the single answer to this question would have been "the organization's goals and strategies."

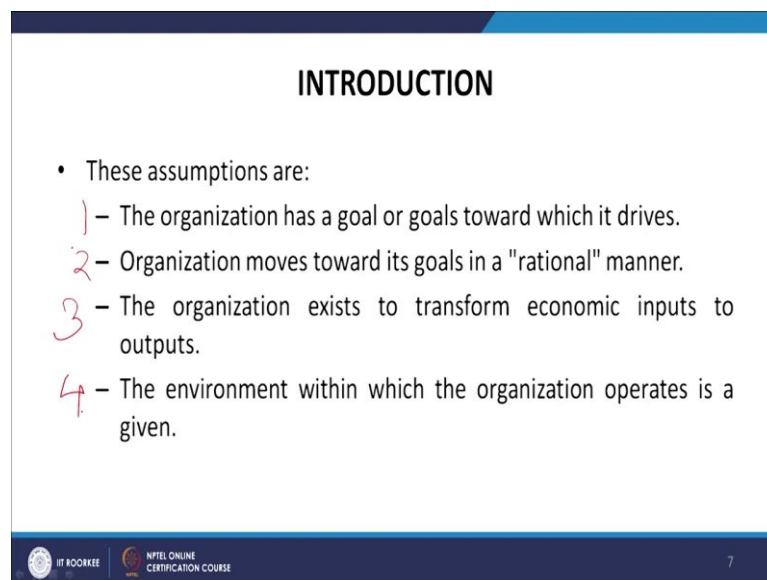
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To understand this let us begin our discussion with the following question: what determines structure? So basically we are concerned with the determinants of organization structure. So if you had studied organization theory almost three four decades ago, a single answer to this question would have been the organization's goals and strategies.

But in the last few decades, researchers have identified a number of variables as determinants of structure and strategy is just one of these variables. Therefore, in this module and the next two we will discuss about strategy. The early acceptance of goals and strategy are determinants of an organization's structure and was found on assumption inherent in classical economic theory.

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INTRODUCTION

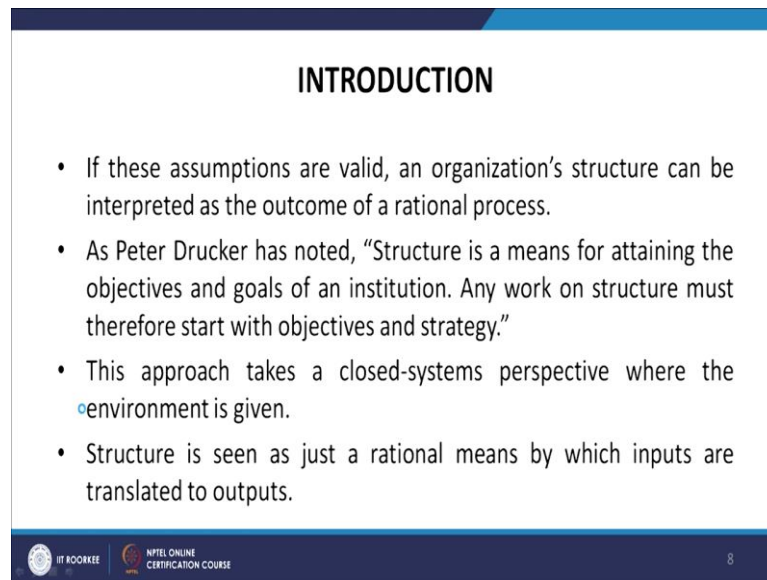
- These assumptions are:
 - 1 – The organization has a goal or goals toward which it drives.
 - 2 – Organization moves toward its goals in a "rational" manner.
 - 3 – The organization exists to transform economic inputs to outputs.
 - 4 – The environment within which the organization operates is a given.

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And these assumptions are 1 the organization has a goal or goals towards which it drives.



The 2nd assumption is organization moves towards its goals in a rational manner. The 3rd is the organization exists to transform economic input to outputs. The 4th is the environment within which the organization operates is a given.

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INTRODUCTION

- If these assumptions are valid, an organization's structure can be interpreted as the outcome of a rational process.
- As Peter Drucker has noted, "Structure is a means for attaining the objectives and goals of an institution. Any work on structure must therefore start with objectives and strategy."
- This approach takes a closed-systems perspective where the environment is given.
- Structure is seen as just a rational means by which inputs are translated to outputs.

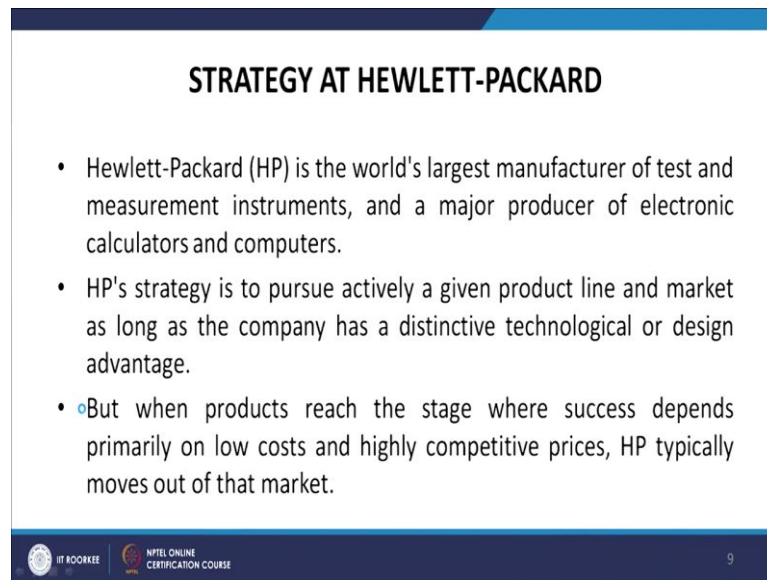
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Now if these assumptions are valid an organization's structure can be interpreted as the outcome of a rational process. As Peter Drucker has noted, structure is a means for attaining the objectives and goals of an institution.

Any work on a structure must therefore start with objectives and its strategy. This approach takes a closed system perspective where the environment is given. A structure is seen as just a rational means by which inputs are translated to outputs.

Now let us look at this example of a strategy at Hewlett Packard which is in short called as HP. So HP is the world's largest manufacturer of test and measurement instruments and a major producer of electronic calculators and computers.

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STRATEGY AT HEWLETT-PACKARD

- Hewlett-Packard (HP) is the world's largest manufacturer of test and measurement instruments, and a major producer of electronic calculators and computers.
- HP's strategy is to pursue actively a given product line and market as long as the company has a distinctive technological or design advantage.
- But when products reach the stage where success depends primarily on low costs and highly competitive prices, HP typically moves out of that market.

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HP's strategy is to pursue actively a given product line and market as long as the company has a distinctive technological or design advantage. But when products reach the stage where success depends primarily on low costs and highly competitive prices, HP typically moves out of that market. The company then turns its attention to a new design or an entirely new product. HP's strategy of technological innovation is supported by a highly flexible organization structure.

It is organized around integrated self contained product divisions that are given a great deal of independence. New divisions arise when a particular product line becomes large enough to support its continued growth out of the profit it generates.

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STRATEGY AT HEWLETT-PACKARD

- New divisions, also tend to be created when single divisions get to about two thousand people.
- HP has found that above this number, people start to lose identification with the product line.
- A lot of factors go into the success of any company.
- But a large part of HP's success has been the development of a flexible structure that facilitates the company's innovation strategy.
- That is, HP's success lies in the right fit between its corporate strategy and its organization structure.

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New divisions also tend to be created when single divisions get to about two thousand people. HP has found that above this number people start to lose identification with the product line. A lot of factors go into the success of any company but a large part of HP's success has been the development of a flexible structure that facilitates the company's innovation strategy. That is HP's success lies in the right fit between its corporate strategy and its organization structure.

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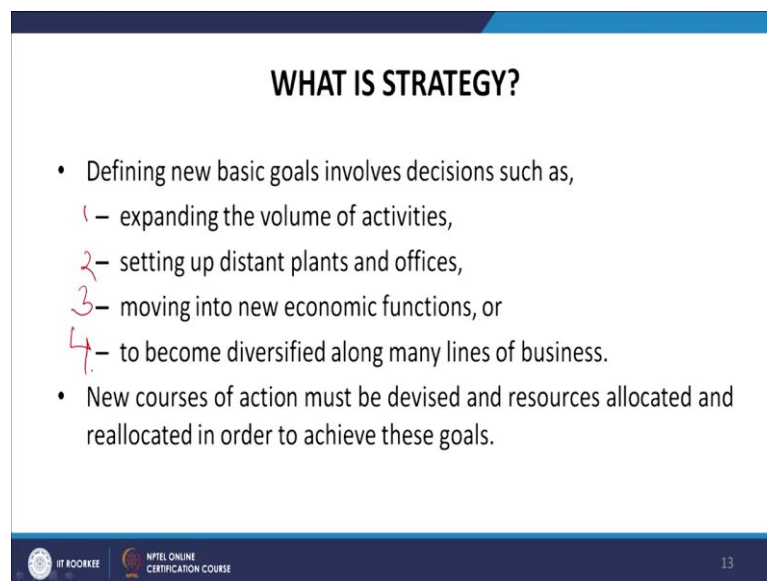
WHAT IS STRATEGY?

- In a layman's term "strategy" is often used interchangeably with "goals". However, they are interrelated but are not the same.
- As discussed in earlier modules *goals* refer to ends whereas *strategy* refers to both means and ends. As such, goals are part of an organization's strategy.
- In a more formal sense, **strategy** can be defined as-
 - the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action² and the allocation of resources necessary for carrying out these goals.

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In a layman's term strategy is often used interchangeably with goals however they are interrelated but are not the same. As discussed in earlier modules goals refers to ends whereas strategy refers to both means and ends. As such goals are part of an organization's strategy. In a more formal sense strategy can be defined as the determination of the basic long term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

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WHAT IS STRATEGY?

- Defining new basic goals involves decisions such as,
 - 1 – expanding the volume of activities,
 - 2 – setting up distant plants and offices,
 - 3 – moving into new economic functions, or
 - 4 – to become diversified along many lines of business.
- New courses of action must be devised and resources allocated and reallocated in order to achieve these goals.

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Defining new basic goals involves decisions such as the following 1st expanding the volume of activities, 2nd setting up distant plants and offices, 3rd moving into new economic functions or to become diversified along many lines of business. New courses of action must be devised and resources allocated and reallocated in order to achieve these goals.

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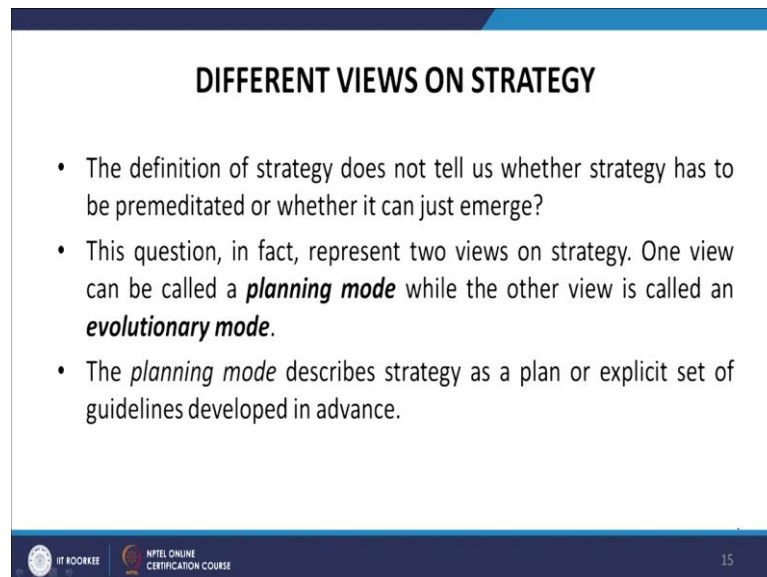
WHAT IS STRATEGY?

- New course of action is also needed to maintain and expand the firm's activities in the new areas in response to:
 - 1 – shifting demands,
 - 2 – changing sources of supply,
 - 3 – fluctuating economic conditions,
 - 4 – new technological developments, and
 - 5 – the actions of competitors.

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New course of action is also needed to maintain and expand the firm's activities in the new areas in response to the following factors 1 shifting demand, 2 changing sources of supply, 3 fluctuating economic conditions, 4th new technological developments and the 5th one is the action of competitors.

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DIFFERENT VIEWS ON STRATEGY

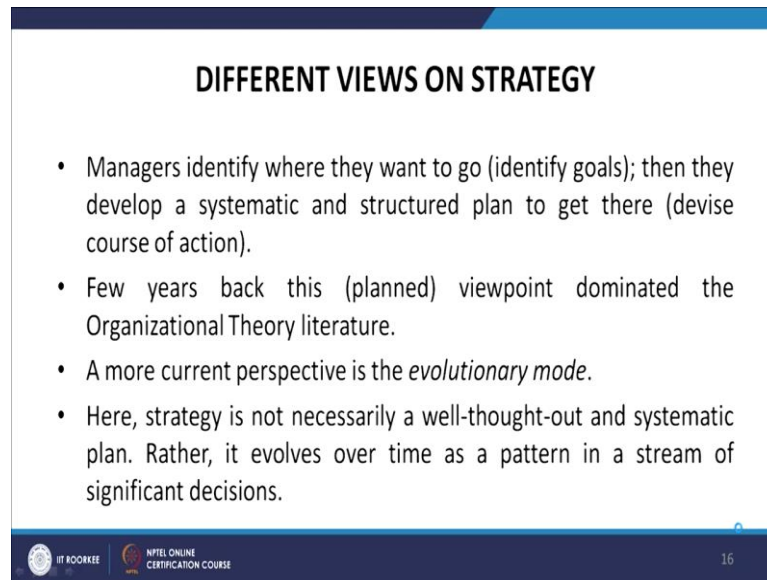
- The definition of strategy does not tell us whether strategy has to be premeditated or whether it can just emerge?
- This question, in fact, represent two views on strategy. One view can be called a **planning mode** while the other view is called an **evolutionary mode**.
- The *planning mode* describes strategy as a plan or explicit set of guidelines developed in advance.

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Now let us look at the different views on strategy the definition of strategy does not tell us whether strategy has to be premeditated or whether it can just emerge. This question in fact represents two views on its strategy. One view can be called as planning mode

while the other view is called as evolutionary mode. The planning mode describe strategy as the plan or explicit sets of guidelines developed in advance. Managers identify where they want to go that is they identify goals.

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DIFFERENT VIEWS ON STRATEGY

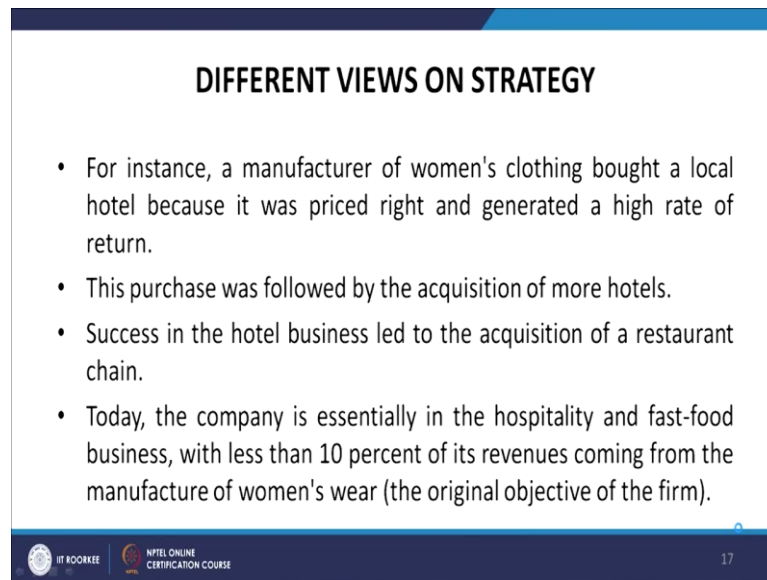
- Managers identify where they want to go (identify goals); then they develop a systematic and structured plan to get there (devise course of action).
- Few years back this (planned) viewpoint dominated the Organizational Theory literature.
- A more current perspective is the *evolutionary mode*.
- Here, strategy is not necessarily a well-thought-out and systematic plan. Rather, it evolves over time as a pattern in a stream of significant decisions.

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Then they develop a systematic and structured plan to get there that is devise a course of action. Few years back this planned viewpoint dominated the organizational theory literature. A more current perspective is the evolutionary mode. Here strategy is not necessarily well thought out and systematic plan. Rather, it evolves over time as a pattern in stream of significant decision.

For instance, a manufacturer of women's clothing brought a local hotel because it was priced right and generated a high rate of return. This purchase was followed by the acquisition of more hotels. Success in the hotel business led to acquisition of a restaurant chain.

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DIFFERENT VIEWS ON STRATEGY

- For instance, a manufacturer of women's clothing bought a local hotel because it was priced right and generated a high rate of return.
- This purchase was followed by the acquisition of more hotels.
- Success in the hotel business led to the acquisition of a restaurant chain.
- Today, the company is essentially in the hospitality and fast-food business, with less than 10 percent of its revenues coming from the manufacture of women's wear (the original objective of the firm).

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Today the company is essentially in the hospitality and fast food business with less than 10 percent of its revenues coming from the manufacture of women's wear, the original objective of the firm.

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DIFFERENT VIEWS ON STRATEGY

- While the company's executives never developed a formal strategy to pursue opportunities in hotels and fast food, it evolved as if it had been planned ahead of time.
- A similar example in real world, could be of Amazon, which started as an online book store and expanded into e-commerce, cloud computing, digital streaming, and artificial intelligence.

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While the company's executives never developed a formal strategy to pursue opportunities in hotels and fast food, it evolved as if it has been planned ahead of time. A similar example in real world would be Amazon which started as an online books store

and expanded into e-commerce, cloud computing, digital streaming and artificial intelligence.

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DIFFERENT VIEWS ON STRATEGY

- As we have seen earlier that goals can be something that are
 - 1 – pre-established and guide subsequent behavior, or
 - 2 – considered as explanations developed after the behavior to justify it.
- Similarly, strategy can be viewed as pre-meditated or as something that can become clear only over time.
- The early writers discussing about strategy-structure relationship assumed the planning mode to be the proper way to view strategy.

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As we have seen earlier that goals can be something that are pre established and guide subsequent behavior or considered as explanations developed after the behavior to justify it. Similarly, strategy can be viewed as premeditated or as something that can become clear only over time. The early writers discussing about strategy structure relationships assumed the planning mode to be the proper way to view strategy.

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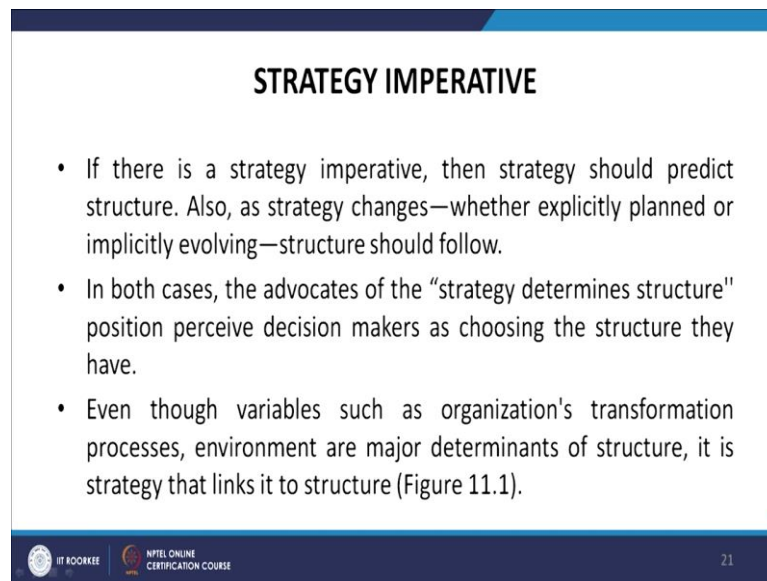
DIFFERENT VIEWS ON STRATEGY

- However in recent years, the broader evolutionary perspective has been gaining more acceptance.
- Its major advantage lies in being able to cope with both static and dynamic strategies.
- In summary, strategy considers both means and ends and an organization's strategy may be planned ahead of time or may just evolve over time.

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However, in recent years the broader evolutionary perspective has been gaining more acceptance. Its major advantage lies in being able to cope with both static and dynamic strategies. In summary strategy considers both means and ends and an organizations strategy may be planned ahead of time or may just evolve over time. Now let us look at the strategy imperative.

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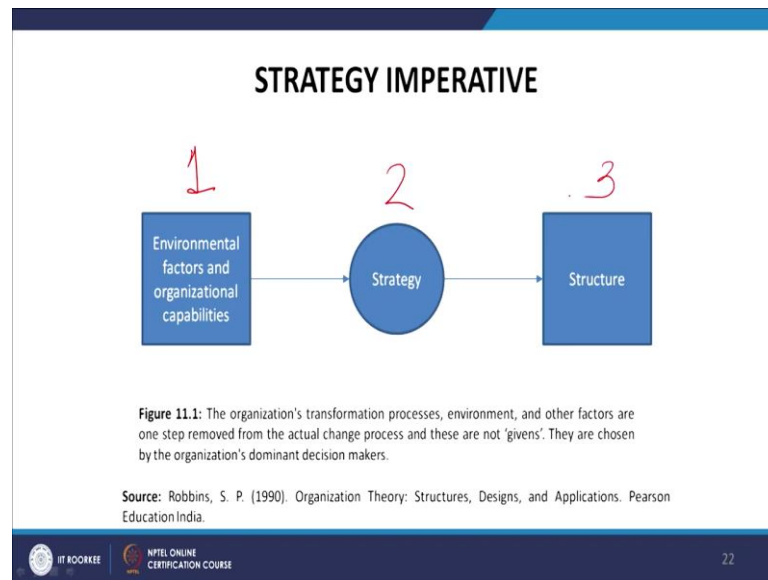
STRATEGY IMPERATIVE

- If there is a strategy imperative, then strategy should predict structure. Also, as strategy changes—whether explicitly planned or implicitly evolving—structure should follow.
- In both cases, the advocates of the “strategy determines structure” position perceive decision makers as choosing the structure they have.
- Even though variables such as organization's transformation processes, environment are major determinants of structure, it is strategy that links it to structure (Figure 11.1).

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If there is a strategy imperative then strategy should predict structure. Also as strategy changes whether explicitly planned or implicitly evolving a structure should follow. In both cases the advocates of the strategy determines structure position perceive decision maker makes as choosing the structure they have.

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Even though variables such as organizations transformation processes environment are major determinants of a structure it is the strategy that links it to structure. Let us look at figure 11.1. Now this figure shows the organization's transformation processes, environment and other factors are one step removed from the actual change process and they are not 'givens'. They are chosen by the organizations dominant decision makers.

So you see we started from the left hand side so there are these environmental factors and organizational capabilities. Now these lead to strategy which in turn leads to structure. Now we will talk about the various types of strategy. If all organizations produced a single product or service, the management of any organization could develop a single strategy that encompassed everything it did.

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TYPES OF STRATEGY

- If all organizations produced a single product or service, the management of any organization could develop a single strategy that encompassed everything it did.
- But many organizations are in diverse lines of businesses, many of which are only vaguely related.
- A firm like General Electric, for instance, makes multimillion dollar power systems for hydroelectric dams as well as consumer products like microwave ovens and light bulbs.

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Many organizations are in diverse lines of businesses many of which are only vaguely related. A firm like general electric for instance make multimillion dollar power systems for hydroelectric dams as well as consumer products like microwave ovens and light bulbs. Organizations that are in multiple businesses therefore need to develop different strategies for different level of activities.

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TYPES OF STRATEGY

- Organizations that are in multiple businesses, therefore, need to develop different strategies for different levels of activities.
- Thus, it is necessary to differentiate between different levels of strategy.
- The four levels of strategy are:
 - 1 – Functional level strategy
 - 2 – Business level strategy
 - 3 – Corporate level strategy
 - 4 – Global expansion strategy

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Thus it is necessary to differentiate between different levels of strategy and there are these four levels of strategy which are 1st functional level strategy, then business level strategy, the corporate level strategy and the global expansion strategy.

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TYPES OF STRATEGY

FUNCTIONAL-LEVEL STRATEGY

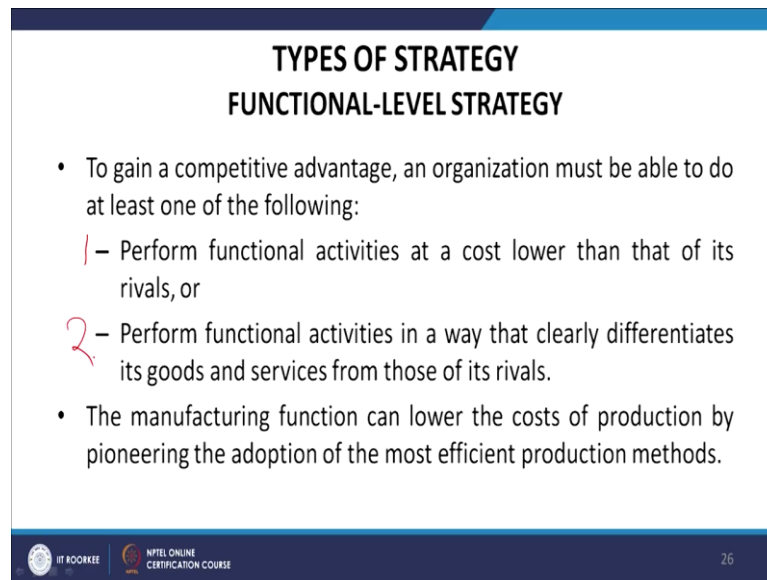
- It is a plan to strengthen an organization's functional and organizational resources, as well as its coordination abilities, in order to create core competencies.
- The strategic goal of each function is to create a core competence that gives the organization a competitive advantage.
- *Core competencies* are the skills and abilities in value creation activities that allow a company to achieve superior efficiency, quality, innovation, or customer responsiveness.

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So these are the four levels of strategy. Now let us start with each one of them. So we will start with the functional level strategy. It is a plan to strengthen an organization's functional and organizational resources as well as its coordination capabilities in order to create core competencies.

The strategic goal of each organization is to create a core competence that gives the organization a competitive advantage. Core competencies are the skills and abilities in value creation activities that allow a company to achieve superior efficiency, quality, innovation and customer responsiveness.

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TYPES OF STRATEGY

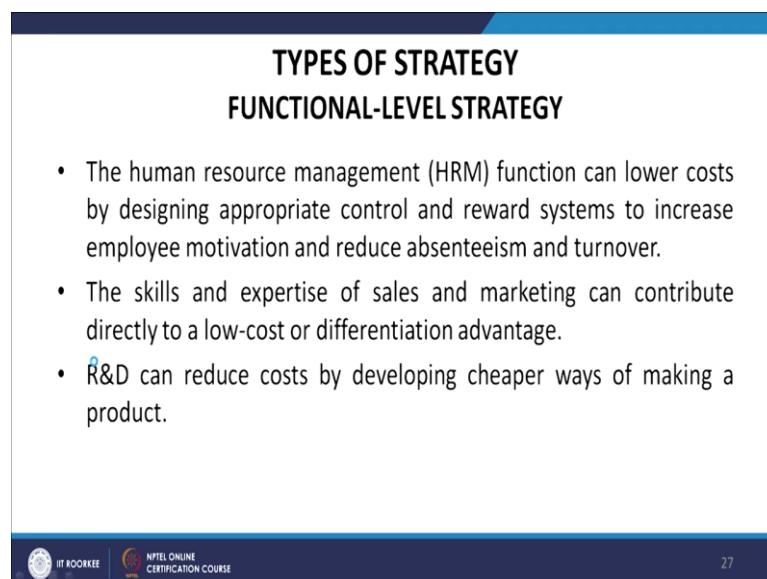
FUNCTIONAL-LEVEL STRATEGY

- To gain a competitive advantage, an organization must be able to do at least one of the following:
 - 1 – Perform functional activities at a cost lower than that of its rivals, or
 - 2 – Perform functional activities in a way that clearly differentiates its goods and services from those of its rivals.
- The manufacturing function can lower the costs of production by pioneering the adoption of the most efficient production methods.

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To gain a competitive advantage an organization must be able to do at least one of the following out of these two at least one is to be done. The 1st one is to perform functional activities at a cost lower than that of its rivals or 2 perform functional activities in a way that clearly differentiates its goods and services from those of its rivals. The manufacturing function can lower the costs of production by pioneering the adoption of the most efficient production method.

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TYPES OF STRATEGY

FUNCTIONAL-LEVEL STRATEGY

- The human resource management (HRM) function can lower costs by designing appropriate control and reward systems to increase employee motivation and reduce absenteeism and turnover.
- The skills and expertise of sales and marketing can contribute directly to a low-cost or differentiation advantage.
- R&D can reduce costs by developing cheaper ways of making a product.

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The human resource management function can lower costs by designing appropriate control and reward systems to increase employee motivation and reduce absenteeism and turnover. The skills and expertise of sales and marketing can contribute directly to a low cost of differentiation advantage. R and D can reduce cost by developing cheaper ways of making a product.

The low cost of differentiation advantage can be developed in materials management by 1 just in time inventory systems, 2 computerized warehousing, 3 purchasing managers' skills in developing long term links with suppliers and distributors and 4th fostering of an organization's reputation can lead to a low cost or differentiation advantage.

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TYPES OF STRATEGY
FUNCTIONAL-LEVEL STRATEGY

- The low-cost or differentiation advantage can be developed in materials management by
 - 1 – just-in-time inventory systems,
 - 2 – computerized warehousing,
 - 3 – purchasing managers' skills in developing long-term links with suppliers and distributors, and
 - 4 – fostering of an organization's reputation can lead to a low-cost or differentiation advantage.

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The slide has a dark blue header with the text 'TYPES OF STRATEGY' in white. Below the header, the title 'FUNCTIONAL-LEVEL STRATEGY AND STRUCTURE' is centered in bold black text. The main content area is white and contains two bullet points. The first bullet point states that the strength of a function's core competence depends on its resources and its ability to coordinate their use. The second bullet point states that according to contingency theory, each function should develop a structure that suits its human and technical resources. At the bottom left of the slide, there is a small blue circle. The footer is dark blue and contains the IIT ROORKEE logo, the text 'NPTEL ONLINE CERTIFICATION COURSE', and the slide number '29'.

TYPES OF STRATEGY
FUNCTIONAL-LEVEL STRATEGY AND STRUCTURE

- The strength of a function's core competence depends not only on the function's resources, but on its ability to coordinate the use of its resources.
- According to contingency theory, each function should develop a structure that suits its human and technical resources.

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Now let us look at the link of function level strategy and structure. The strength of a function's core competences depends not only on the function's resources but also on its ability to coordinate the use of its resources. According to a contingency theory each function should develop a structure that suits its human and technical resources.

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The slide has a dark blue header with the text 'TYPES OF STRATEGY' in white. Below the header, the title 'BUSINESS-LEVEL STRATEGY' is centered in bold black text. The main content area is white and contains three bullet points. The first bullet point asks how we should compete in each of our businesses. The second bullet point states that for a small organization in only one line of business or a large organization that has avoided diversification, business-level strategy is typically the same as corporate strategy. The third bullet point states that for organizations in multiple businesses, each division will have its own strategy that defines the products or services that it will offer, the customers it wants to reach, and the like. The footer is dark blue and contains the IIT ROORKEE logo, the text 'NPTEL ONLINE CERTIFICATION COURSE', and the slide number '30'.

TYPES OF STRATEGY
BUSINESS-LEVEL STRATEGY

- Business-level strategy seeks to answer the question-
 - How should we compete in each of our businesses?
- For the small organization in only one line of business or the large organization that has avoided diversification, business-level strategy is typically the same as corporate strategy.
- But for organizations in multiple businesses, each division will have its own strategy that defines the products or services that it will
 - offer, the customers it wants to reach, and the like.

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Now we come to the next level of strategy that is called as business level strategy. So business level strategy seeks to answer the question. How should we compete in each of our businesses? For the small organization in only one line of business or the large

organization that has avoided diversification, business level strategy is typically the same as corporate strategy. But for organizations in multiple businesses each division will have its own strategy that defines the products or services that it will offer. The customers it wants to reach and the like.

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The slide is titled "TYPES OF STRATEGY" and "BUSINESS-LEVEL STRATEGY". It contains a bulleted list with handwritten annotations in red ink. The first bullet point is "The business-level strategy involves:", followed by two sub-points: "1 - Selecting and managing the domain the organization will compete in." and "2 - Positioning the organization so that it can use its resources and abilities to manage its specific and general environments to protect and enlarge that domain." The second main bullet point is "A • Low-cost business-level strategy:", followed by a sub-point: "- uses skills in low-cost value creation to produce for a customer group that wants low-priced goods and services." The slide footer includes the IIT ROORKEE logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the page number "31".

TYPES OF STRATEGY
BUSINESS-LEVEL STRATEGY

- The business-level strategy involves:
 - 1 - Selecting and managing the domain the organization will compete in.
 - 2 - Positioning the organization so that it can use its resources and abilities to manage its specific and general environments to protect and enlarge that domain.
- A • Low-cost business-level strategy:
 - uses skills in low-cost value creation to produce for a customer group that wants low-priced goods and services.

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The business level strategy involves selecting and managing the domain the organization will compete in, positioning the organization so that it can use its resources and abilities to manage its specific and general environments to protect and enlarge that domain. Low cost business level strategy uses skills in low cost value creation to produce for a customer group that wants low priced goods and services.

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TYPES OF STRATEGY
BUSINESS-LEVEL STRATEGY

- Differentiation business-level strategy involves:
 - use of skills to differentiate products for customer groups that want and can afford differentiated products that command a high or premium price.
- Focus business-level strategy involves:
 - specialization in one segment of a market, and focusing all of the organization's resources on that segment.

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Differentiation business level strategy involves use of skills to differentiate products for customer groups that want and can afford differentiated products that command a high or premium price. Focus business level strategy involves specialization in one segment of a market and focusing all of the organization's resources on that segment. So these are the three types of strategies business level strategies A B C.

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TYPES OF STRATEGY
BUSINESS-LEVEL STRATEGY

- B** • Differentiation business-level strategy involves:
 - use of skills to differentiate products for customer groups that want and can afford differentiated products that command a high or premium price.
- C** • Focus business-level strategy involves:
 - specialization in one segment of a market, and focusing all of the organization's resources on that segment.

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TYPES OF STRATEGY

BUSINESS-LEVEL STRATEGY AND STRUCTURE

- Three factors affect an organization's choice of a structure to create a competitive advantage:
 - As an organization produces a wider range of products, it needs greater control over the development, marketing, and production of these products.
 - As an organization seeks to find new customer groups for its products, it needs a structure that allows it to serve the needs of its customers.

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Now let us look at how this business level strategy is linked with structure or how it affects structure. Three factors affect an organizations choice of a structure to create a competitive advantage. The first is, as an organization produces a wide range of products it needs greater control over the development, marketing and production of these products. The second is, as an organization seeks to find new customer groups for its products it needs a structure that allows it to serve the needs of its customers.

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TYPES OF STRATEGY

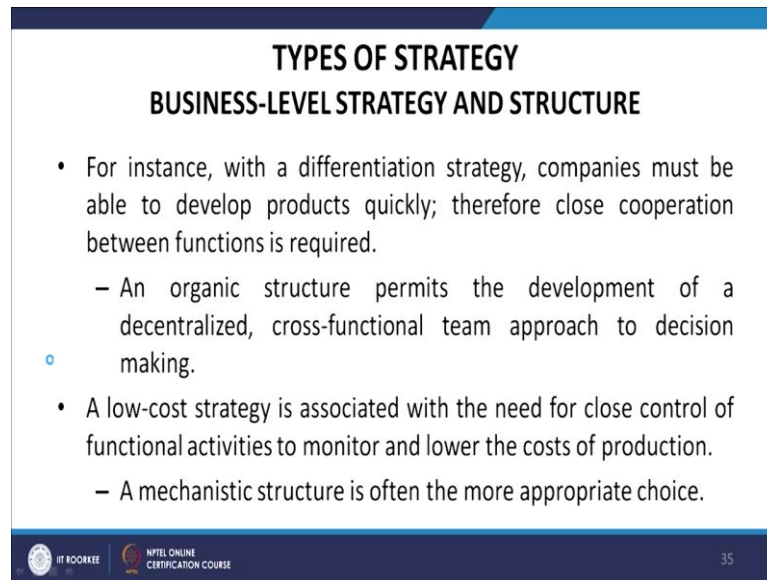
BUSINESS-LEVEL STRATEGY AND STRUCTURE

- Three factors affect an organization's choice of a structure to create a competitive advantage:
 - As the pace of new product development in an industry increases, an organization will need a structure that increases coordination among its functions.

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The three factors affect an organization's choice of a structure to create a competitive advantage. As the pace of new product development in an industry increases an organization will need a structure that increases coordination among its functions.

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TYPES OF STRATEGY

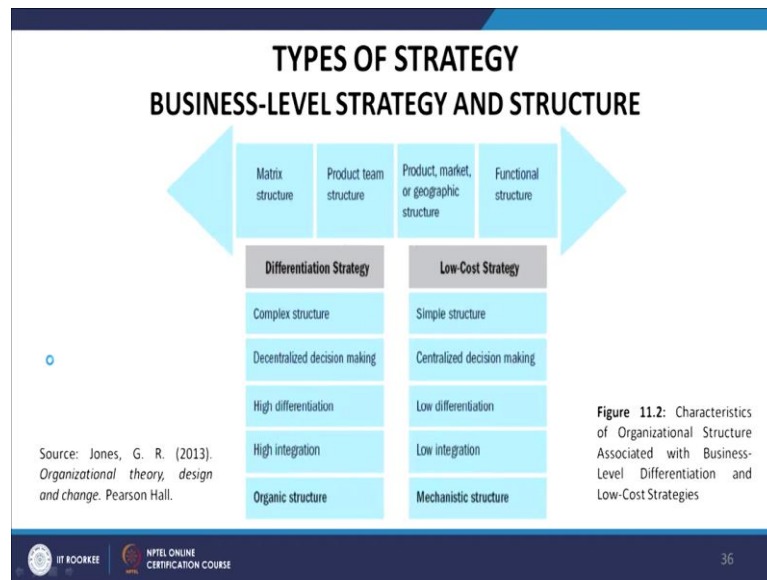
BUSINESS-LEVEL STRATEGY AND STRUCTURE

- For instance, with a differentiation strategy, companies must be able to develop products quickly; therefore close cooperation between functions is required.
 - An organic structure permits the development of a decentralized, cross-functional team approach to decision making.
- A low-cost strategy is associated with the need for close control of functional activities to monitor and lower the costs of production.
 - A mechanistic structure is often the more appropriate choice.

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For instance, with a differentiation strategy companies must be able to develop products quickly; therefore, close cooperation between functions is required. An organic structure permits the development of a decentralized cross functional team approach to decision making. A low cost strategy is associated with the need for close control of functional activities to monitor and lower the costs of production a mechanistic structure is often the more appropriate choice.

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Now let us look at this figure 11.2 and it talks about characteristics of organization structure associated with business level differentiation and low cost strategies. So now you see at the top there are these structures, matrix structure, product team structure, product market or geographic structure and functional structure.

Now when we are talking of differentiation strategy we are generally talking about the matrix structure and product team structure. So that becomes a complex structure say decentralize decision making, higher differentiation, high integration and which leads to organic structure. While in the next two that is a product market or geographic structure functional structure we follow the low cost strategy or low costs strategy is more appropriate in this kind of situation.


Which is a simple structure, centralized decision making, low differentiation, low integration and mechanistic structure.

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TYPES OF STRATEGY

CORPORATE-LEVEL STRATEGY

- If an organization is in more than one line of business, it will need a corporate-level strategy.
- This strategy seeks to answer the question-
 - In what set of businesses should we be?
- Corporate-level strategy determines the roles that each business in the organization will play.
- It involves a search for new domains in which to exploit and defend the ability to create value from its core competencies.

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The next level of strategy is the corporate level strategy. If an organization is in more than one line of business it will need a corporate level strategy. This strategy seeks to answer the question in what set of businesses should we be in. Corporate level strategy determines the roles that each business in the organization will play.

It involves to seek for new domains in which to exploit and defend the ability to create value from its core competencies.

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TYPES OF STRATEGY

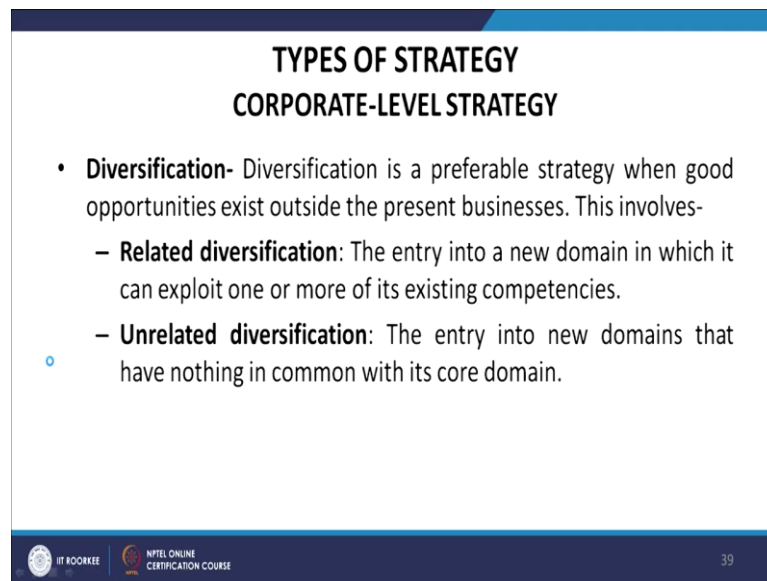
CORPORATE-LEVEL STRATEGY

- **Vertical integration:** a strategy in which an organization takes over and owns its suppliers (backward vertical integration) or its distributors (forward vertical integration)-
 - May be more profitable.
 - May lead to production cost savings.
 - May differentiate its products.
 - May avoid opportunistic behavior of suppliers.
 - May lead to savings in distribution.

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One type of corporate level strategy is vertical integration. A strategy in which an organization takes over and owns its supplies backward vertical integration or its distributors which is called as forward vertical integration. It may be more profitable, may lead to production cost savings, may differentiate its products, may avoid opportunistic behavior of suppliers and may lead to savings in distribution.

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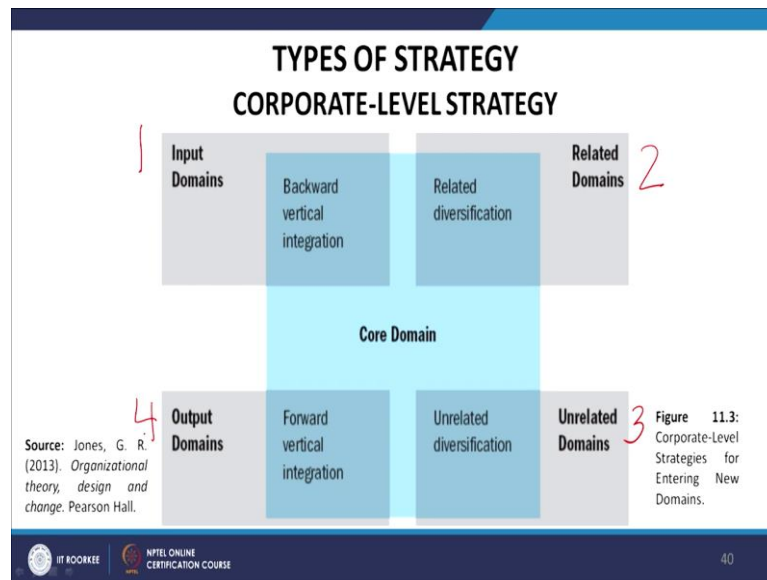
The slide is titled "TYPES OF STRATEGY" and "CORPORATE-LEVEL STRATEGY". It lists the following:

- **Diversification-** Diversification is a preferable strategy when good opportunities exist outside the present businesses. This involves-
 - **Related diversification:** The entry into a new domain in which it can exploit one or more of its existing competencies.
 - **Unrelated diversification:** The entry into new domains that have nothing in common with its core domain.

At the bottom of the slide, there are logos for "IIT ROORKEE" and "NPTEL ONLINE CERTIFICATION COURSE", and the number "39" in the bottom right corner.

Another is diversification; diversification is a preferable strategy when good opportunities exist outside the present businesses. This involves two types of diversification; one is a related diversification, the entry into a new domain in which it can exploit one or more of its existing competencies. And the second is, unrelated diversification. The entry into new domains that have nothing in common with its core domain.

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So this is figure 11.3 and it shows corporate level strategies for entering new domains. So now you see that here we have input domains, related domains, unrelated domains and output domain. And in between is the core domain. So when in input domain we go for backward vertical integration in related domain we go for a related diversification in unrelated domains it is called as unrelated diversification and in output domain it is called as forward vertical integration.

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TYPES OF STRATEGY
CORPORATE-LEVEL STRATEGY AND STRUCTURE

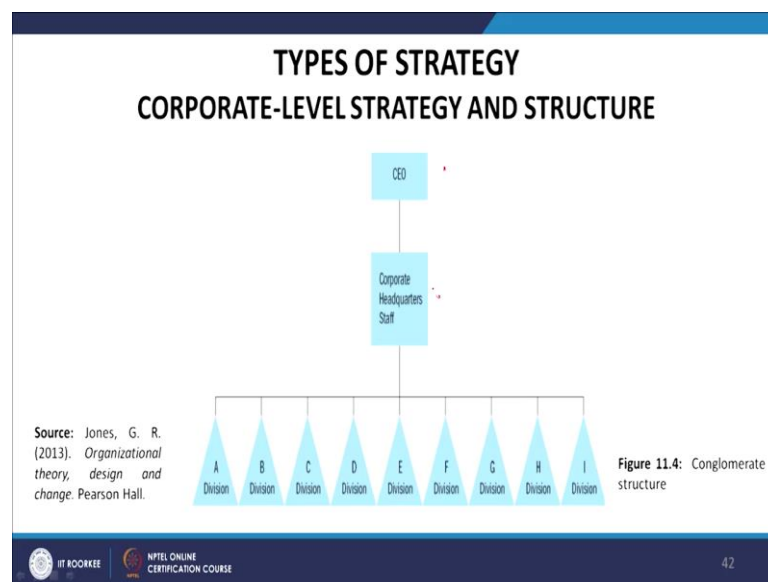
- For organizations operating in more than one domain, a multidivisional structure is appropriate.
- Conglomerate structure and unrelated diversification-
 - **Conglomerate structure:** a structure in which each business is placed in a self-contained division and there is no contact between divisions (see Figure 11.4).
 - It develops in an organization following unrelated diversification strategy as new domains do not have common competencies with core domain of the organization.

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Now let us look at the relationship between corporate level strategy and structure. For organizations operating in more than one domain a multidivisional structure is appropriate conglomerate structure and unrelated diversification. Now we will look at the corporate structure, the conglomerate structure and unrelated diversification. Conglomerate structure is a structure in which each business is placed in a self contained division and there is no contact between divisions.

So that we will look at figure 11.4. It develops in an organization following unrelated diversification strategy as the new domains do not have common competencies with core domain of the organization.

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So this is what a conglomerate structure looks like at the top is the CEO then we have corporate headquarters staff and then there are several divisions underneath this corporate headquarter structure.

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TYPES OF STRATEGY
CORPORATE-LEVEL STRATEGY AND STRUCTURE

- Related diversification creates value by sharing resources or transferring skills from one division to another.
- Requires lateral communication between divisions as well as vertical communication between divisions and headquarters.
- Integrating roles and teams of functional experts are needed to coordinate skills and resource transfers.
- Multidivisional structures or matrix allow for the coordination needed.

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But they are all independent. Related diversification creates value by sharing resources or transferring skills from one division to another. It requires lateral communication between divisions as well as vertical communication between divisions and headquarters. Integrating roles and teams of functional experts are needed to coordinate skills and resource transfers.

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TYPES OF STRATEGY
GLOBAL EXPANSION STRATEGY

- Four principal strategies are-
- **Multidomestic strategy:**
 - It is oriented toward local responsiveness by decentralizing control to subsidiaries and divisions in each country.
- **International strategy:**
 - It involves decentralization of all value-creation functions except for R&D and marketing.

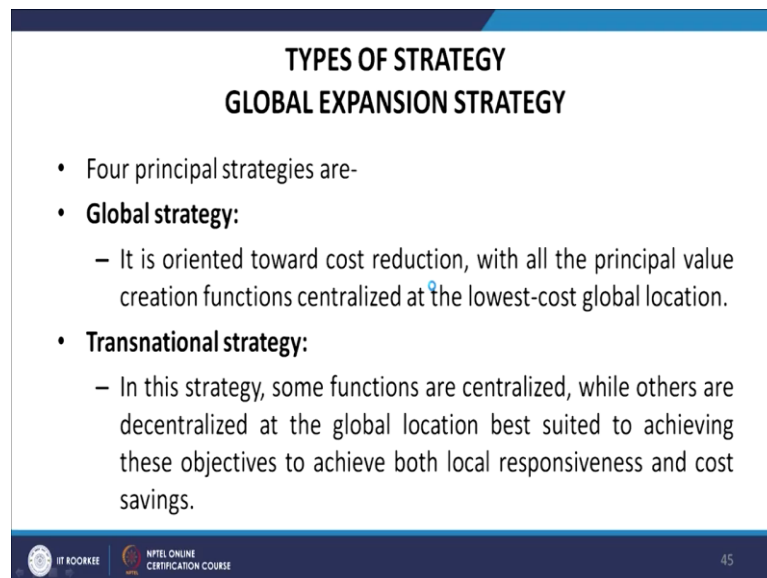
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Multidivisional structures or matrix allows for the coordination needed. The fourth type of strategy is the global expansion strategy. Now there are four principal strategies in

this, the first is multi domestic strategy. So what is this multi domestic strategy? It is oriented towards local responsiveness by decentralizing control to subsidiaries and divisions in each country.

Then comes the international strategy, it involves decentralization of all value creation functions except for R and D and marketing.

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TYPES OF STRATEGY
GLOBAL EXPANSION STRATEGY

- Four principal strategies are-
- **Global strategy:**
 - It is oriented toward cost reduction, with all the principal value creation functions centralized at the lowest-cost global location.
- **Transnational strategy:**
 - In this strategy, some functions are centralized, while others are decentralized at the global location best suited to achieving these objectives to achieve both local responsiveness and cost savings.

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Another one is the global strategy, it is oriented towards cost reduction but all the principal value creation functions centralized at the lowest cost global location. And transnational strategy in this strategy some functions are centralized while others are decentralized at the global location best suited to achieve these objectives to achieve both local responsiveness and cost savings.

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TYPES OF STRATEGY

GLOBAL EXPANSION STRATEGY AND STRUCTURE

- Choice of structure and control systems for managing a global business is a function of -
 - The decision of how to distribute and allocate responsibility and authority between managers at home and abroad,
 - so that effective control over a company's global operations is maintained.

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Now we will look at the relationship between global expansion strategy and structure. Choice of structure and control systems for managing a global business is a function of the decision of how to distribute and allocate responsibility and authority between managers at home and abroad.

So that effective control over a company's global operations is maintained. The selection of the organization's structure that groups divisions both at home and abroad is the way that allow for two things, one is the best use of resources and second is to serve the need of foreign customers most effectively.

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TYPES OF STRATEGY

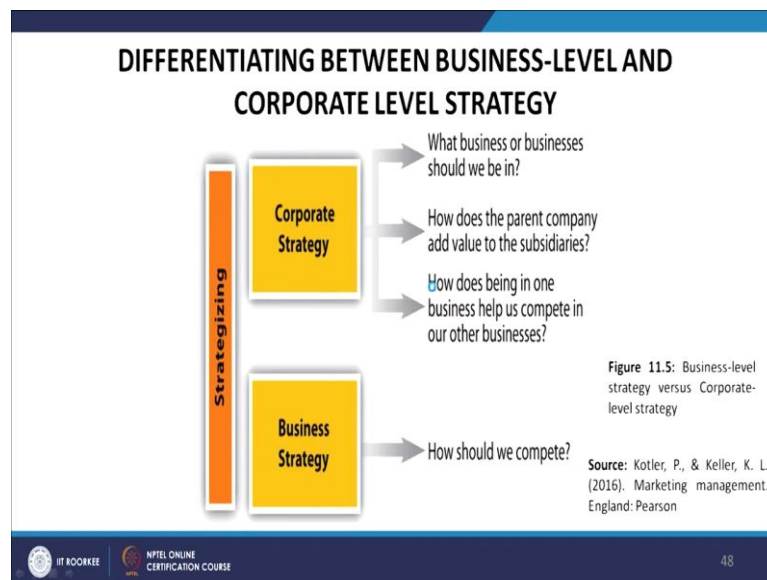
GLOBAL EXPANSION STRATEGY AND STRUCTURE

- The selection of the organizational structure that groups divisions both at home and abroad in a way that allows:
 - the best use of resources, and
 - serves the needs of foreign customers most effectively.
- The selection of the right kinds of integration and control mechanisms and organizational culture to make the overall global structure function effectively.

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The selection of the right kinds of integration and control mechanism and organization culture to make the overall global structure function effectively.

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Now this figure 11.5 it differentiates between business level and corporate level strategies. So you see that when we start with corporate level strategy they are concerned with what business or businesses we should be in. It also determines how does the parent company add value to the subsidiaries and then it also tells how does being in one business help us compete in our other businesses.

While the business strategy tells how should we compete.

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DIFFERENTIATING BETWEEN BUSINESS-LEVEL AND CORPORATE LEVEL STRATEGY

- Most contemporary strategy-structure theories we discuss focus on business-level strategies.
- But the original research on this topic began by looking at the corporate-level strategies of such companies as DuPont and Sears, Roebuck.
- To the degree that strategy actually determines structure, strategy level is an important point to keep in mind. Why?

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So we are trying to differentiate between business level strategy and corporate level strategy. Most contemporary strategy structure theories we discuss focus on business level strategies. But the original research on this topic began by looking at the corporate level strategy of such companies as DuPont, Sears and Roebuck. To the degree that strategy actually determines structure strategy level is an important point to keep in mind. Why?

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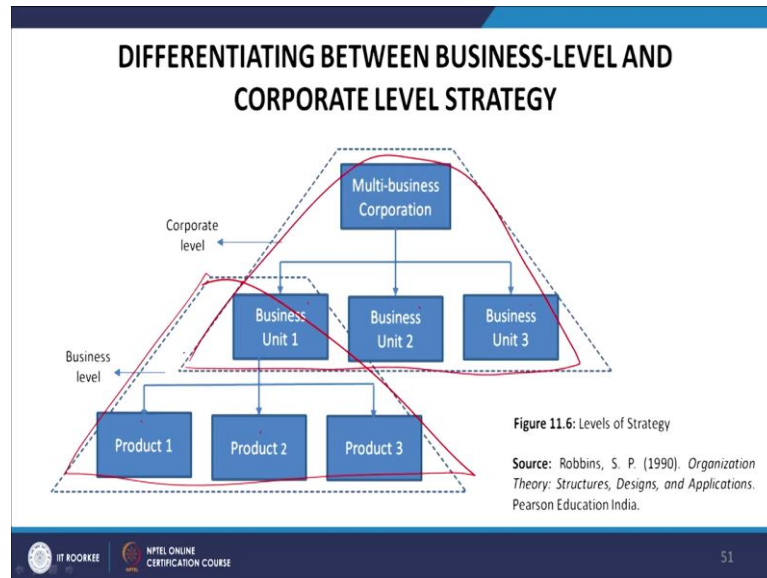
DIFFERENTIATING BETWEEN BUSINESS-LEVEL AND CORPORATE LEVEL STRATEGY

- For small organizations in only one line of business or non-diversified large organizations, business and corporate strategy will be the same, and the organization should have a relatively uniform organization structure.
- But organizations with diverse business strategies should be expected to have a variety of structural configurations; that is, management will design structures to fit with the different strategies.

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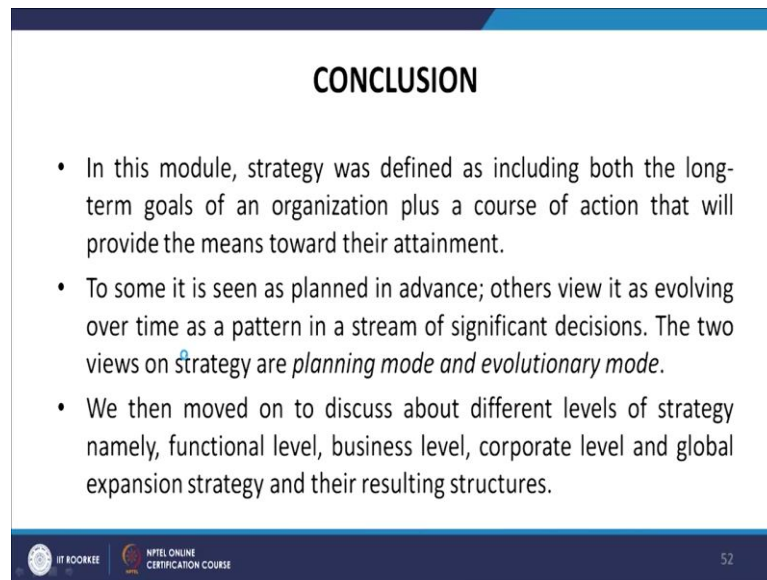
For small organizations in only one line of business or non diversified large organizations, business and corporate strategy will be the same and the organization should have a relatively uniform organization structure. But organizations with diverse business strategies should be expected to have a variety of structural configurations that is management will design structures to fit with the different strategies.

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Now this is what we are talking of. This is figure 11.6 and it talks of levels of strategy. So at the top we start with multi business corporation. Now you see that this multi business corporation has various business units 1, 2, 3 and each business unit has product 1, 2, 3 underneath it. So for this we have a business level strategy and for this we have a corporate level strategy. So they are all interlinked.

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CONCLUSION

- In this module, strategy was defined as including both the long-term goals of an organization plus a course of action that will provide the means toward their attainment.
- To some it is seen as planned in advance; others view it as evolving over time as a pattern in a stream of significant decisions. The two views on strategy are *planning mode and evolutionary mode*.
- We then moved on to discuss about different levels of strategy namely, functional level, business level, corporate level and global expansion strategy and their resulting structures.

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So to conclude this module, in this module strategy was defined as including both the long term goals of an organization plus a course of action that will provide the means towards their attainment. To some it is seen as planned in advance and to others they view it as evolving over time as a pattern in stream of significant decisions.

The two views on strategy are planning mode and evolutionary mode. We then moved on to discuss about different levels of strategy namely functional level, business level, cooperate level and global expansion strategy and their resulting structures.

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And these are the four books from which the material for this module was taken.

Thank you.