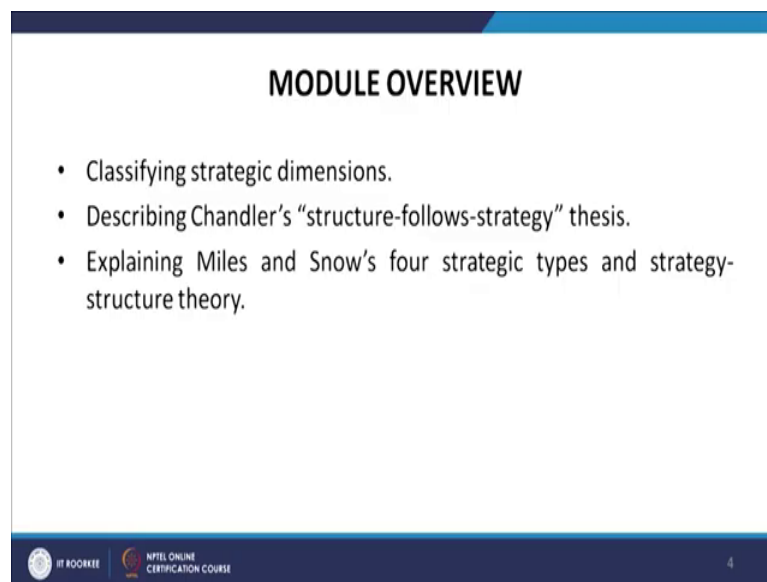


**Organization Theory/Structure and Design**  
**Prof. Zillur Rahman**  
**Department of Management Studies**  
**Indian Institute of Technology, Roorkee**

**Lecture - 12**  
**Strategy - II**

Welcome to this module 12 of this course on Organization Theory/Structure and Design. Now, as you can see from this slide, module 11, 12 and 13 are dedicated to strategy. We have talked about module 11 and now, we will talk about module 12. And we are still talking about the Strategy and we are discussing how the strategy and structure they are linked.

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A presentation slide titled "MODULE OVERVIEW" with a blue header and footer. The slide lists three bullet points: "Classifying strategic dimensions.", "Describing Chandler's 'structure-follows-strategy' thesis.", and "Explaining Miles and Snow's four strategic types and strategy-structure theory." The footer contains the IIT Roorkee logo, the text "NPTEL ONLINE CERTIFICATION COURSE", and the number "4".

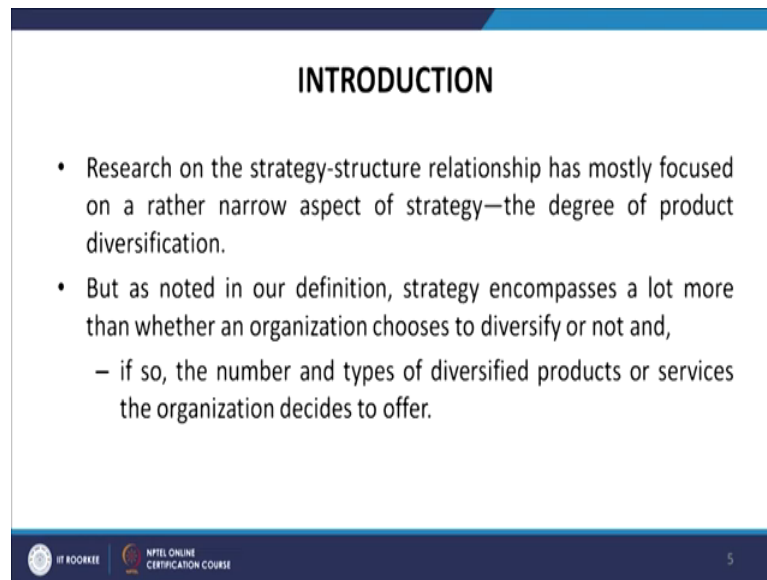
**MODULE OVERVIEW**

- Classifying strategic dimensions.
- Describing Chandler's "structure-follows-strategy" thesis.
- Explaining Miles and Snow's four strategic types and strategy-structure theory.

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So, in this module, we will talk about classifying strategic dimensions; then describe Chandler's "structure follows strategy" thesis. And then explain Miles and Snow's four strategic types and strategy-structure theory.

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The slide is titled "INTRODUCTION" in bold black text. It contains two bullet points. The first bullet point states that research on the strategy-structure relationship has mostly focused on a narrow aspect of strategy—the degree of product diversification. The second bullet point states that, as noted in the definition, strategy encompasses a lot more than whether an organization chooses to diversify or not, and if so, the number and types of diversified products or services the organization decides to offer. The slide has a dark blue header and footer. The footer contains the IIT ROORKEE logo, the text "IIT ROORKEE", the NPTEL ONLINE CERTIFICATION COURSE logo, and the number "5".

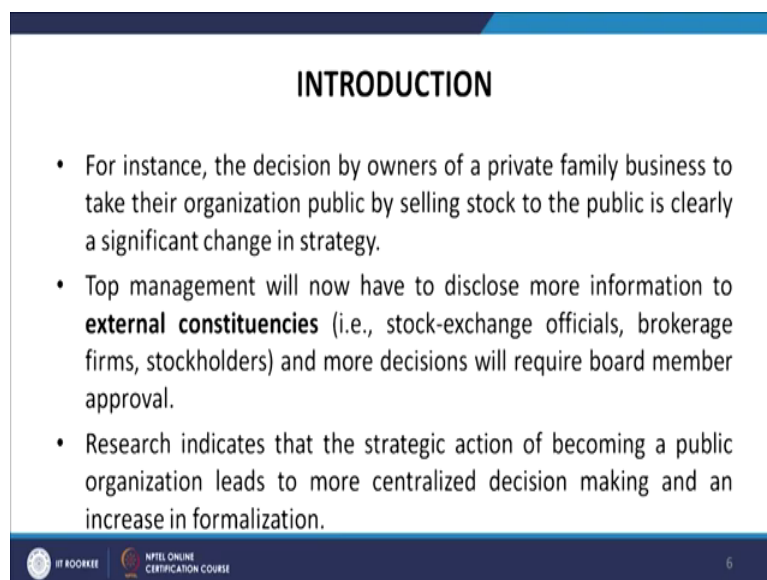
## INTRODUCTION

- Research on the strategy-structure relationship has mostly focused on a rather narrow aspect of strategy—the degree of product diversification.
- But as noted in our definition, strategy encompasses a lot more than whether an organization chooses to diversify or not and,
  - if so, the number and types of diversified products or services the organization decides to offer.

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To start with this module, research on the strategy-structural relationship has mostly focused on a rather narrow aspect of strategy that is the degree of product differentiation. But as noted in our definition, strategy encompasses a lot more than whether an organization chooses to diversify or not and if so the number and types of diversified products or services the organization decides to offer.

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The slide is titled "INTRODUCTION" in bold black text. It contains three bullet points. The first bullet point states that, for instance, the decision by owners of a private family business to take their organization public by selling stock to the public is clearly a significant change in strategy. The second bullet point states that top management will now have to disclose more information to **external constituencies** (i.e., stock-exchange officials, brokerage firms, stockholders) and more decisions will require board member approval. The third bullet point states that research indicates that the strategic action of becoming a public organization leads to more centralized decision making and an increase in formalization. The slide has a dark blue header and footer. The footer contains the IIT ROORKEE logo, the text "IIT ROORKEE", the NPTEL ONLINE CERTIFICATION COURSE logo, and the number "6".

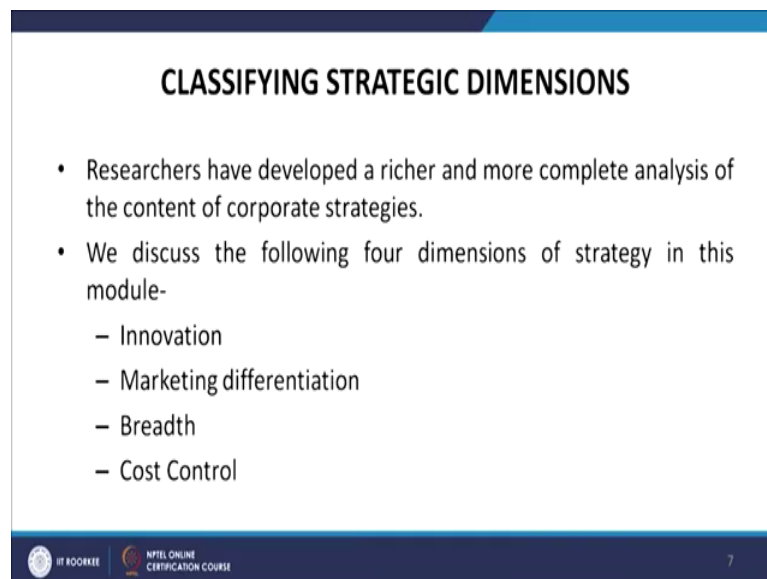
## INTRODUCTION

- For instance, the decision by owners of a private family business to take their organization public by selling stock to the public is clearly a significant change in strategy.
- Top management will now have to disclose more information to **external constituencies** (i.e., stock-exchange officials, brokerage firms, stockholders) and more decisions will require board member approval.
- Research indicates that the strategic action of becoming a public organization leads to more centralized decision making and an increase in formalization.

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For instance, the decision by owners of a private family business to take their organization public by selling stocks to the public is clearly a significant change in a strategy.

Top management will now have to disclose more information to external constituencies. And these external constituencies include stock exchange officials, brokerage firms and stock holders and more decisions will require board members' approval. (Refer Slide Time: 02:16)



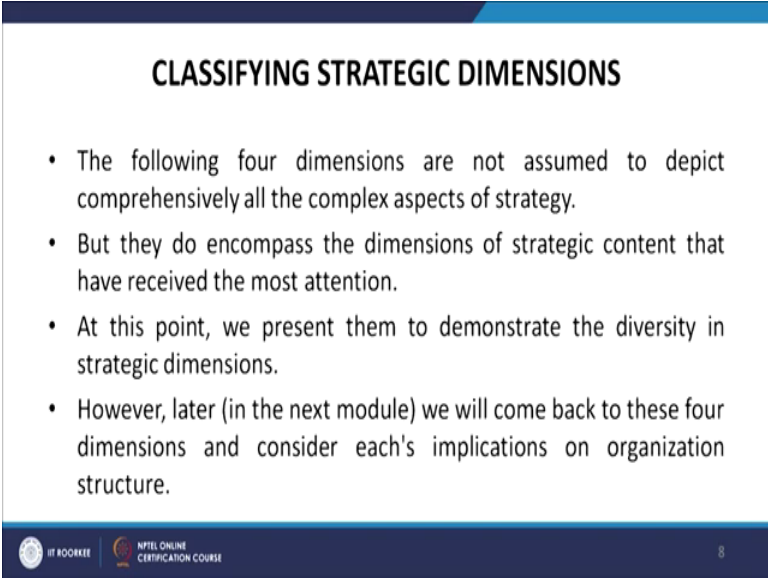
**CLASSIFYING STRATEGIC DIMENSIONS**

- Researchers have developed a richer and more complete analysis of the content of corporate strategies.
- We discuss the following four dimensions of strategy in this module-
  - Innovation
  - Marketing differentiation
  - Breadth
  - Cost Control

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Now, let us classify the strategic dimensions. Researchers have developed a richer and more complete analysis of the content of corporate strategies. So, we discussed the following four dimensions of a strategy in this module. And these four dimensions are innovation, marketing differentiation, breadth and cost control.

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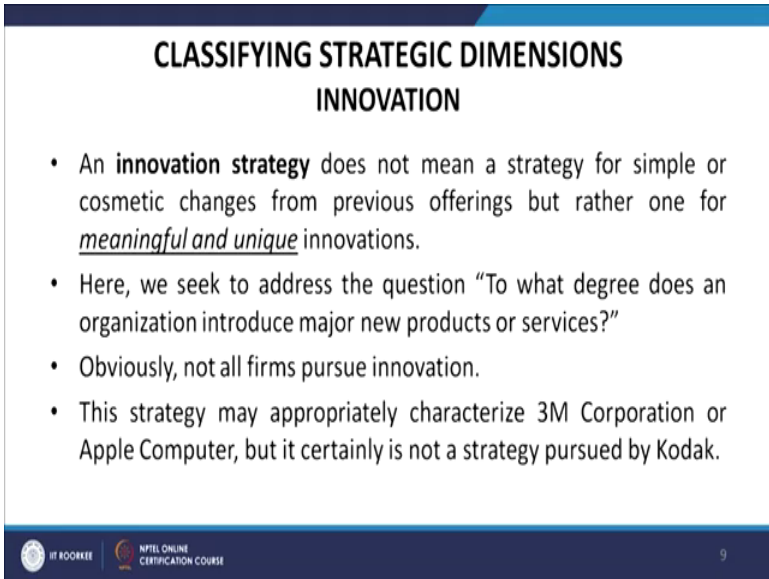
**CLASSIFYING STRATEGIC DIMENSIONS**

- The following four dimensions are not assumed to depict comprehensively all the complex aspects of strategy.
- But they do encompass the dimensions of strategic content that have received the most attention.
- At this point, we present them to demonstrate the diversity in strategic dimensions.
- However, later (in the next module) we will come back to these four dimensions and consider each's implications on organization structure.

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The following four dimensions are not assumed to depict comprehensively all the complex aspect of strategy. But they do encompass the dimensions of strategic content that have received the most attention. At this point, we present them to demonstrate the diversity in strategic dimensions. However, later in the next module, we will come back to these four dimensions and consider each's implications on organization structure.

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**CLASSIFYING STRATEGIC DIMENSIONS**  
**INNOVATION**

- An **innovation strategy** does not mean a strategy for simple or cosmetic changes from previous offerings but rather one for meaningful and unique innovations.
- Here, we seek to address the question "To what degree does an organization introduce major new products or services?"
- Obviously, not all firms pursue innovation.
- This strategy may appropriately characterize 3M Corporation or Apple Computer, but it certainly is not a strategy pursued by Kodak.

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So, we will start with the first one that is innovation. An innovation strategy does not mean a strategy for simple or cosmetic changes from previous offerings; but rather one

for meaningful and unique innovations. Here, we seek to address the question to what degree does an organization introduce major new products or services? Obviously, not all firms pursue innovation. This strategy may appropriately categorize 3M Corporation or Apple Computers, but it certainly is not a strategy that is pursued by Kodak.

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**CLASSIFYING STRATEGIC DIMENSIONS**  
**MARKETING DIFFERENTIATION**

- The **marketing differentiation strategy** strives to create customer loyalty by uniquely meeting a particular need.
- It doesn't necessarily mean the organization is producing a higher-quality or more up-to-date product.
- The organization seeks to create a favorable image for its product through advertising, market segmentation, and prestige pricing.
- This would describe the strategy used by premium beer producers and designer-label apparel manufacturers.

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The second strategic dimension is the marketing differentiation. So the marketing differentiation strategy strives to create customer loyalty by uniquely meeting a particular need. This does not necessarily mean the organization is producing a higher quality or more up to date product.

The organization seeks to create a favourable image for its product through advertising, market segmentation and prestige pricing. This would describe the strategy used by premium beer producers and designer label apparel manufacturers.

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**CLASSIFYING STRATEGIC DIMENSIONS**

**BREADTH**

- The **breadth strategy** refers to the scope of the market to which the business caters:
  - 1 – the variety of customers,
  - 2 – their geographic range, and
  - 3 – the number of products.
- Some grocery chains, such as Star Bazar, have chosen to operate only in a given community.
- Others, like Big Bazaar, extend their operations to the regional, national, or even international level.

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Yet another strategic dimension is breadth; the strategy refers to the scope of the market to which the business caters. So, this is in the context of the variety of customers; their geographic range and 3 the number of products. So, the scope of market is defined on the basis of these three.

So, the breadth strategy refers to the scope of market to which the business caters. And this scope of market is defined in these three terms. Some grocery chains such as Star Bazaar have chosen to operate only in a given community. Others like Big Bazaar extend their operations to the regional national or even international level.

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### CLASSIFYING STRATEGIC DIMENSIONS

#### COST CONTROL

- The **cost-control strategy** considers the extent to which the organization
  - 1 – tightly controls costs,
  - 2 – refrains from incurring unnecessary innovation or marketing expenses, and
  - 3 – cuts prices in selling a basic product.
- This would describe the strategy pursued by Wal-Mart or generic grocery products.

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Another type of strategic dimension is cost control; the cost control strategy considers the extent to which the organization tightly controls cost, refrains from incurring unnecessary innovation or marketing expenses and cut prices in selling a basic product. This would describe the strategy pursued by Wal-Mart or generic grocery products.

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### CHANDLER'S STRATEGY-STRUCTURE THESIS

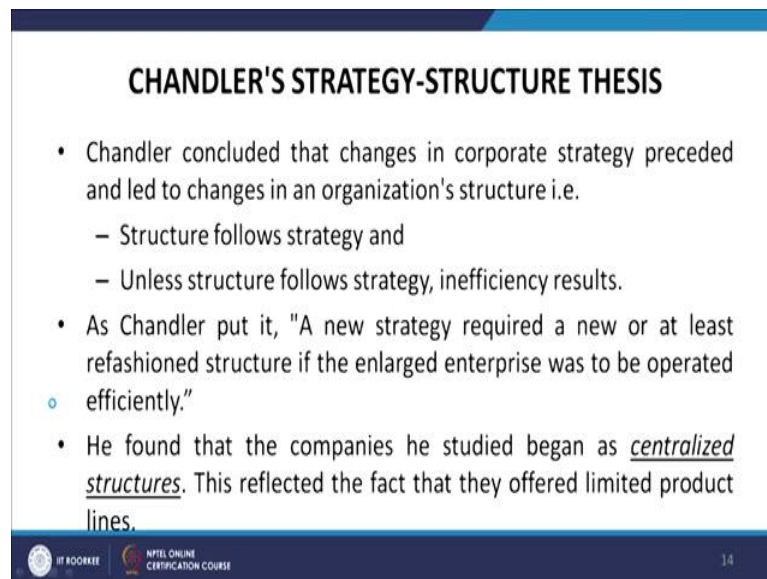
- The classic work on the relationship between an organization strategy and its structure was done by Harvard historian Alfred Chandler and published in the early 1960s.
- All the current work on the strategy-structure relationship has been clearly influenced by Chandler's research.
- Chandler studied close to a hundred of America's largest firms
  - tracing the development of these organizations from 1909 to 1959.
- This included extensive case histories of companies like DuPont, General Motors, Standard Oil of New Jersey, and Sears.

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Now, we will see what this Chandler's strategy-structure thesis is. The classic work on the relationship between an organization strategy and its structure was done by Harvard historian Alfred Chandler and published in the early 1960s.

All the current work on the strategy-structure relationship has been clearly influenced by Chandler's research. Chandler studied close to a hundred of America's largest firms tracing the development of these organizations from 1909 to 1959. This included extensive case histories of companies like DuPont, General Motors, Standard Oil of New Jersey and Sears.

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**CHANDLER'S STRATEGY-STRUCTURE THESIS**

- Chandler concluded that changes in corporate strategy preceded and led to changes in an organization's structure i.e.
  - Structure follows strategy and
  - Unless structure follows strategy, inefficiency results.
- As Chandler put it, "A new strategy required a new or at least refashioned structure if the enlarged enterprise was to be operated efficiently."
- He found that the companies he studied began as centralized structures. This reflected the fact that they offered limited product lines.

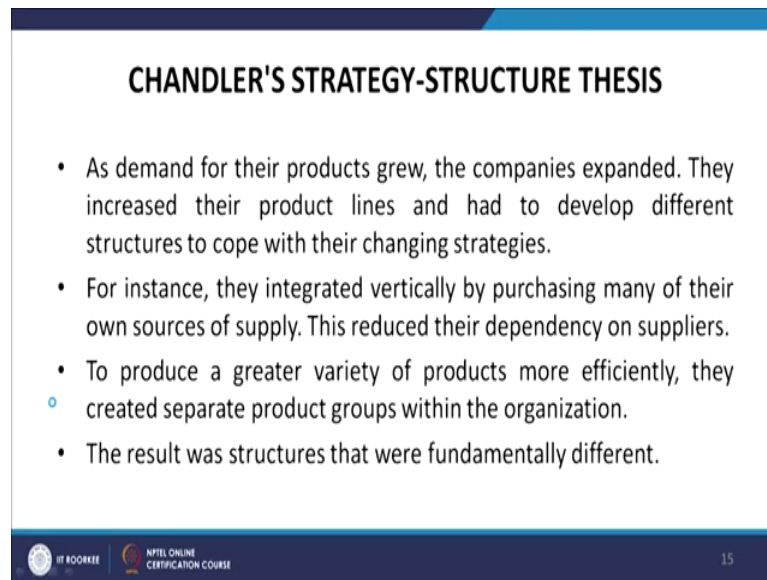
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Chandler concluded that changes in corporate strategy preceded and led to changes in an organization structure that is its structure follows strategy and unless its structure follows strategy inefficiency results.

As Chandler put it, a new strategy required a new or at least refashioned structure, if the enlarged enterprise was to be operated efficiently. He found that companies he studied began as centralized structures, this reflected the fact that they offered limited product lines. As demand for their products grew the company's expanded. They increased their product lines and had to develop different structures to cope with their changing strategies.



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**CHANDLER'S STRATEGY-STRUCTURE THESIS**

- As demand for their products grew, the companies expanded. They increased their product lines and had to develop different structures to cope with their changing strategies.
- For instance, they integrated vertically by purchasing many of their own sources of supply. This reduced their dependency on suppliers.
- To produce a greater variety of products more efficiently, they created separate product groups within the organization.
- The result was structures that were fundamentally different.

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For instance, they integrated vertically by purchasing many of their own sources of supply; this reduced their dependency on suppliers. To produce a greater variety of products more efficiently, they have created separate product groups within the organization.

The result was structures that were fundamentally different. Chandler essentially argued that organizations typically begin with a single product or line; they do only one thing such as manufacturing, sales or warehousing. The single product or line strategy is compatible with a loose or simple structure.

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### CHANDLER'S STRATEGY-STRUCTURE THESIS

- Chandler essentially argued that organizations typically begin with a single product or line.
- They do only one thing—such as manufacturing, sales or warehousing.
- The **single product or line strategy** is compatible with a loose or simple structure.
- Decisions can be centralized in the hands of a single senior manager.

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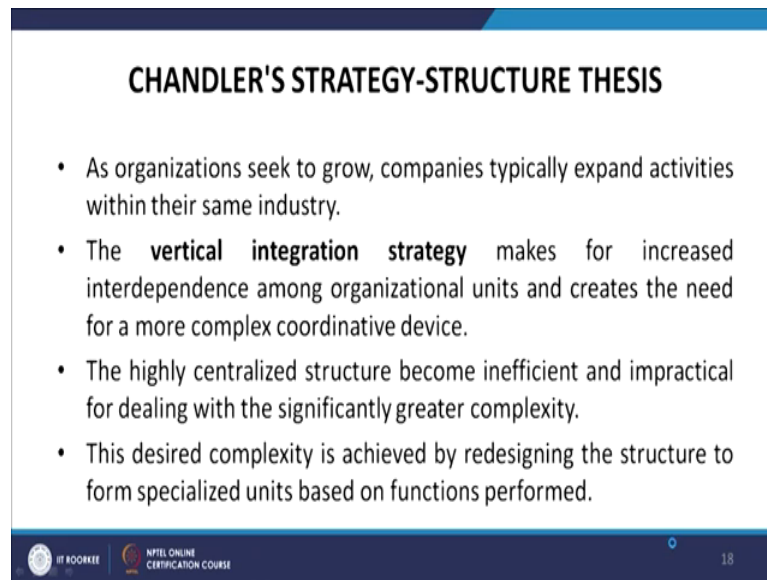
### CHANDLER'S STRATEGY-STRUCTURE THESIS

- Because the organization's strategy is narrowly focused, the structure to execute it can be low in both complexity and formalization.
- So, Chandler concluded, the efficient structure for an organization with a single product strategy is one that is simple—
  - high centralization,
  - low formalization, and
  - low complexity.

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Decisions can be centralized in the hands of a single senior manager. Because the organizations strategy is narrowly focused, the structure to execute it can be low in both complexity and formalization. So, Chandler concluded the efficient structure of an organization with a single product strategy is one that is simple. And how he defined simple? That is, it is high on centralization, low on formalization and low on complexity.

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**CHANDLER'S STRATEGY-STRUCTURE THESIS**

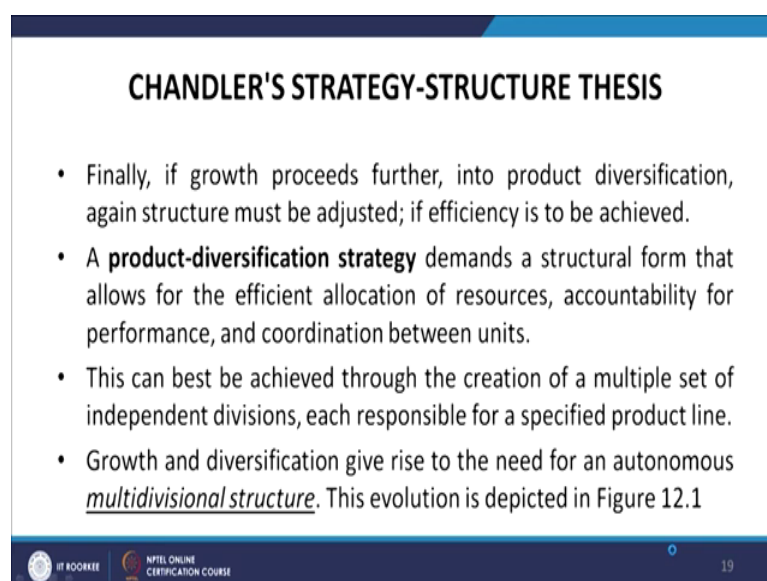
- As organizations seek to grow, companies typically expand activities within their same industry.
- The **vertical integration strategy** makes for increased interdependence among organizational units and creates the need for a more complex coordinative device.
- The highly centralized structure become inefficient and impractical for dealing with the significantly greater complexity.
- This desired complexity is achieved by redesigning the structure to form specialized units based on functions performed.

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As the organization seeks to grow; companies typically expand activities within their same industry. So, the vertical integration strategy makes for increased interdependence among organizational units and creates the need for a more complex coordinative device.

The highly centralized structure become inefficient and impractical for dealing with the significantly greater complexity. This desired complexity is achieved by redesigning the structure to form its specialized units based on functions performed.

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**CHANDLER'S STRATEGY-STRUCTURE THESIS**

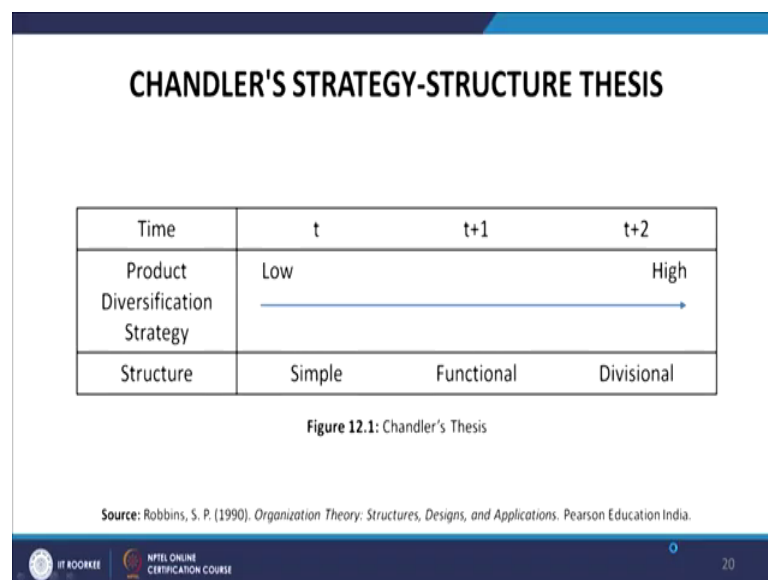
- Finally, if growth proceeds further, into product diversification, again structure must be adjusted; if efficiency is to be achieved.
- A **product-diversification strategy** demands a structural form that allows for the efficient allocation of resources, accountability for performance, and coordination between units.
- This can best be achieved through the creation of a multiple set of independent divisions, each responsible for a specified product line.
- Growth and diversification give rise to the need for an autonomous multidivisional structure. This evolution is depicted in Figure 12.1

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Finally, if growth proceeds further into product diversification, again a structure must be adjusted if efficiency is to be achieved. And a product diversification strategy demands a structural form that allows for the efficient allocation of resources accountability for performance and coordination between units.

This can best be achieved through the creation of a multiple set of independent divisions; each responsible for a specified product line. Growth and diversification give rise to the need for an autonomous multidivisional structure. This evolution is depicted in figure 12.1.

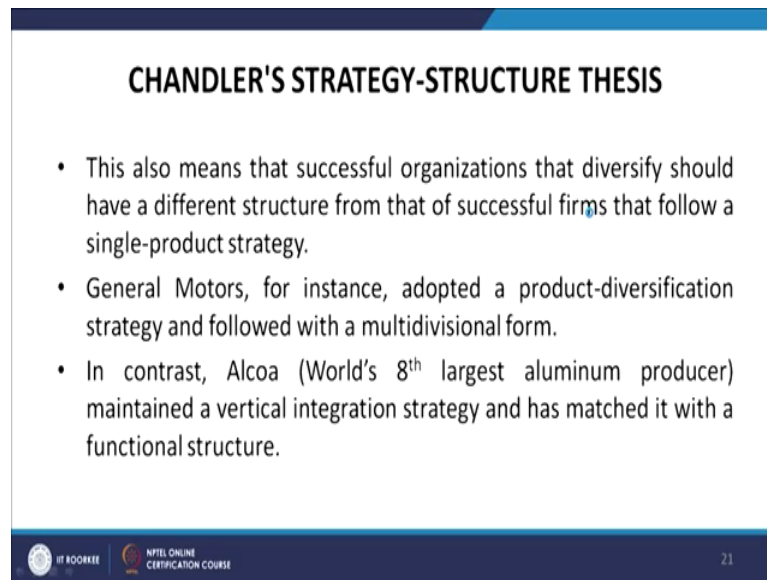
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So, this is the figure 12.1 and you see that here we have time t, t+1, t+2 and then we have product differentiation strategy that varies from low to high and a structure that goes from simple functional and divisional.

So you see that at time t the product diversification strategy was low and obviously the structure that they used was simple. At time t+1, the product diversification strategy was something between low and high and the structure that was used was functional. And at time t+2 when the product diversification strategy was high, the structure use was divisional.

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### CHANDLER'S STRATEGY-STRUCTURE THESIS

- This also means that successful organizations that diversify should have a different structure from that of successful firms that follow a single-product strategy.
- General Motors, for instance, adopted a product-diversification strategy and followed with a multidivisional form.
- In contrast, Alcoa (World's 8<sup>th</sup> largest aluminum producer) maintained a vertical integration strategy and has matched it with a functional structure.

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This also means that successful organizations that diversify should have a different structure from that of successful firms that follow a single product strategy.

General motors for instance adopted a product diversification strategy and followed with a multidivisional form. In contrast Alcoa, World's 8th largest aluminium producer, maintained a vertical integrational strategy and has matched it with a functional structure.

Now, we come back to this debate of “structure follows strategy”. Chandler’s claim that the strategy influences structure seems well supported; but this generalization is constrained by the limitations and definitions inherent in Chandler’s work.

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**DOES STRUCTURE FOLLOW STRATEGY?**

- Chandler's claim that strategy influences structure seems well supported, but this generalization is constrained by the limitations and definitions inherent in Chandler's work-
  - 1 – He looked only at large, profit-making organizations.
  - 2 – He focused on growth as a measure of effectiveness rather than profitability.
  - 3 – His definition of strategy is far from all-inclusive.

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So, what are these limitations in the chandler's work? The first is he looked only at large profit making organizations; the second is he focused on growth as a measure of effectiveness rather than profitability. And the third is his definition of strategy is far from all-inclusive.

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**DOES STRUCTURE FOLLOW STRATEGY?**

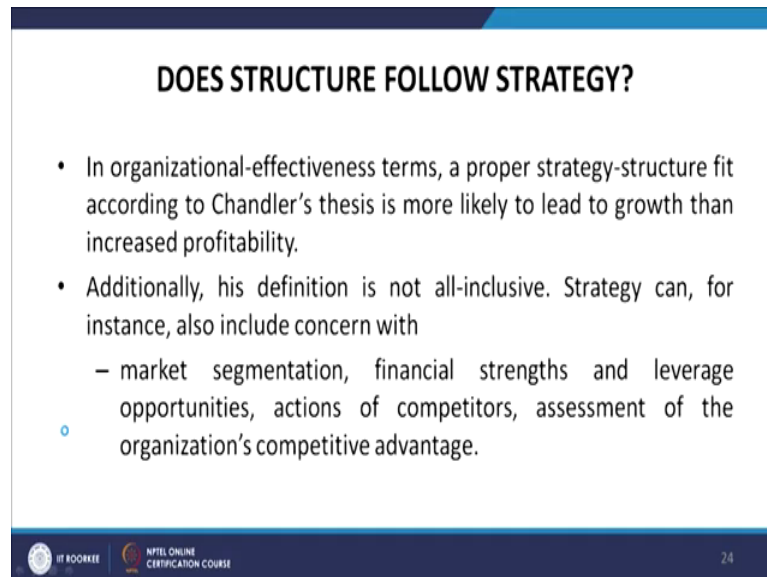
- First, Chandler's sample of organizations was not a cross section of organizations in general. He looked only at very large and powerful industrial business firms.
- Whether his findings would be applicable to small- and medium sized organizations, service companies, or those in the public sector could not be answered from this sample.
- Next, when he used the term strategy, he really meant growth strategy. Growth was his major concern, not profitability.

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First Chandler's sample of organization was not a cross section of organizations in general. He looked only at very large and powerful industrial business firms, so that was the first problem with his work.

Whether his findings would be applicable to small and medium sized organizations, service companies and those in the public sector could not be answered from this sample. Next when he used the term strategy he actually meant growth strategy; growth was his major concern, not profitability.

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**DOES STRUCTURE FOLLOW STRATEGY?**

- In organizational-effectiveness terms, a proper strategy-structure fit according to Chandler's thesis is more likely to lead to growth than increased profitability.
- Additionally, his definition is not all-inclusive. Strategy can, for instance, also include concern with
  - market segmentation, financial strengths and leverage opportunities, actions of competitors, assessment of the organization's competitive advantage.

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In organizational effectiveness terms, a proper strategy structure fit according to Chandler's thesis is more likely to lead to growth than increased profitability. Additionally, his definition is not all inclusive. Its strategy can for instance also include concern with market segmentation, financial strengths and leverage opportunities, action of competitors, assessment of the organization's competitive advantage.

Nevertheless, within the parameters set by Chandler several studies have confirmed his conclusion specifically relating to a strong relationship between product diversification and the multi division form.

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### DOES STRUCTURE FOLLOW STRATEGY?

- Nevertheless, within the parameters set by Chandler, several studies have confirmed his conclusions, specifically relating to a strong relationship between product diversification and the multidivisional form.
- There appears to be little question that strategy influences structure at the top levels of business firms. The evidence on this point is overwhelming.

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There appears to be little question that a strategy influences structure at the top level of business firms; the evidence on this point is overwhelming.

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### CONTEMPORARY STRATEGY-STRUCTURE THEORY

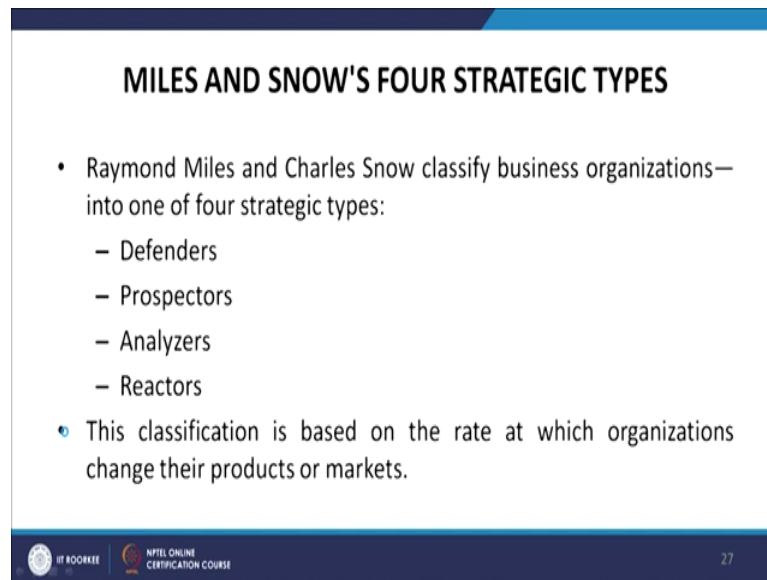
- As we noted previously, strategy is a broad concept and can be dissected along a number of dimensions.
- Since Chandler's work in the early 1960s, the most important research on the strategy-structure relationship has been undertaken by **Miles and Snow.**
- Apart from this other landmark works includes **Porter's competitive strategies** and **Miller's integrative framework.**

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As we noted previously, strategy is a broad concept and can be dissected along a number of dimensions. Since Chandler's work in the early 1960s, the most important research on the strategy-structure relationship has been undertaken by Miles and Snow. Apart from this other landmark work includes Porter's competitive strategies and Miller's integrative framework.



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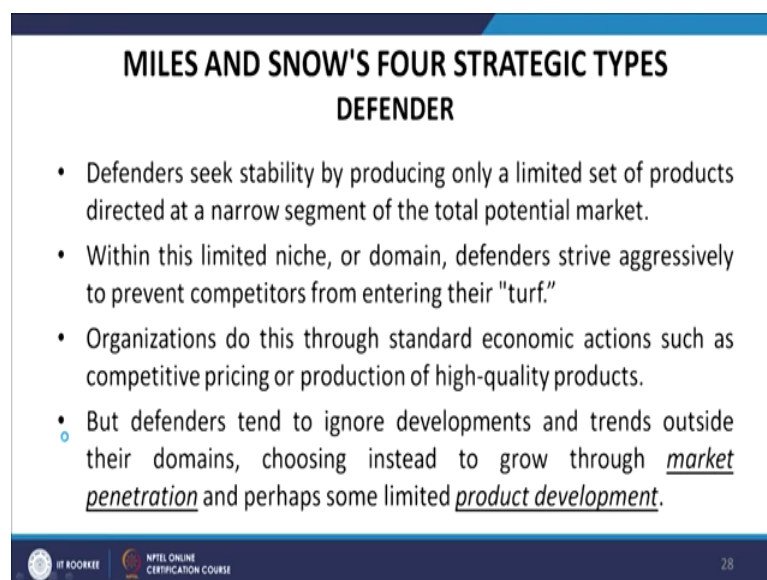
**MILES AND SNOW'S FOUR STRATEGIC TYPES**

- Raymond Miles and Charles Snow classify business organizations—into one of four strategic types:
  - Defenders
  - Prospectors
  - Analyzers
  - Reactors
- This classification is based on the rate at which organizations change their products or markets.

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Now, let us look at the Miles and Snow's four strategic types. Raymond Miles and Charles Snow classify business organizations into one of the four strategic types. The first strategic type is the defenders, the second is the prospectors, the third is the analyzers and the forth is the reactors. This classification is based on the rate at which organizations change their products or markets.

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**

**DEFENDER**

- Defenders seek stability by producing only a limited set of products directed at a narrow segment of the total potential market.
- Within this limited niche, or domain, defenders strive aggressively to prevent competitors from entering their "turf."
- Organizations do this through standard economic actions such as competitive pricing or production of high-quality products.
- But defenders tend to ignore developments and trends outside their domains, choosing instead to grow through market penetration and perhaps some limited product development.

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Now, we will look at each of these four strategic types starting with defender. Defender seeks stability by producing only a limited set of products directed at a narrow segment

of the total potential market. Within this limited niche or domain, defenders strive aggressively to prevent competitors from entering their turf. Organizations do this through standard economic actions such as competitive pricing or production of high quality products. But defenders tend to ignore developments and trends outside their domains, choosing instead to grow through market penetration and perhaps some limited product development.

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**

**DEFENDER**

- There is little or no scanning of the environment to find new areas of opportunity, but there is intensive planning oriented toward cost and other efficiency issues.
- The result is a structure made up of high horizontal differentiation, centralized control, and an elaborate formal hierarchy for communications.
- Over time, true defenders are able to carve out and maintain small niches within their industries that are difficult for competitors to penetrate.

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There is little or no scanning of the environment to find new areas of opportunity; but there is intensive planning oriented towards costs and other efficiency issues. The result is structure made up of highly horizontal differentiation; centralized control and elaborate formal hierarchies for communication. Over time true defenders are able to carve out and maintain small niches within their industries that are difficult for competitors to penetrate.

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### MPLES AND SNOW'S FOUR STRATEGIC TYPES

#### PROSPECTORS

- Prospectors are almost the opposite of defenders. Their strength is finding and exploiting new-product and market opportunities.
- Innovation may be more important than high profitability.
- This describes, for instance, several magazine publishers who introduce new magazine titles almost monthly, constantly attempting to identify new market segments.
- Another example of prospector organization could be 3M corporation.

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The second types are prospectors. Prospectors are almost the opposite of defenders. Their strength is finding and exploiting new product and market opportunities. This describes for instance several magazine publishers who introduced new magazine titles almost monthly, constantly attempting to identify new market segments. Another example of prospector organization could be 3M corporation; the complete 3M has built its reputation and long term profitability on the following 3 things.

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### MPLES AND SNOW'S FOUR STRATEGIC TYPES

#### PROSPECTORS

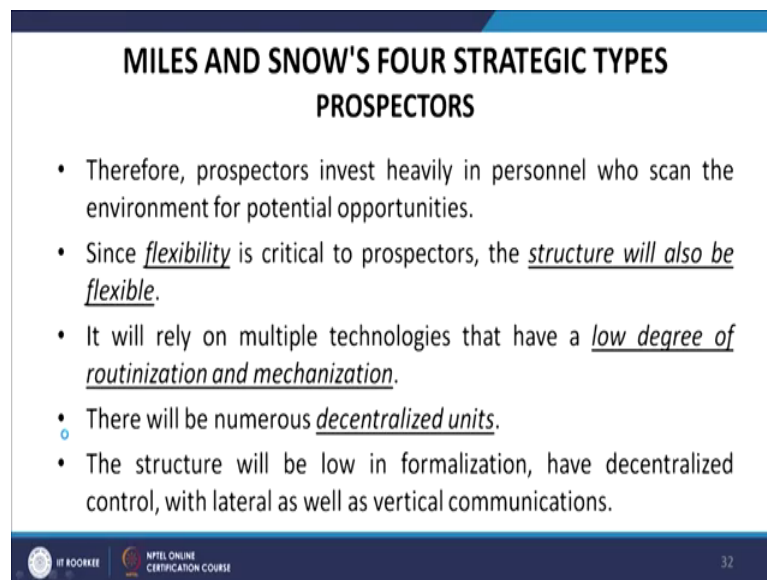
- The company 3M has built its reputation and long-term profitability on
  - developing innovative products,
  - getting quickly to the market with those products,
  - exploiting opportunities while they are still innovative, and then getting out.
- The prospector's success depends on developing and maintaining the capacity to survey a wide range of environmental conditions, trends, and events.

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The first is developing innovative products; the second is getting quickly to the market with those products and third is exploiting opportunities while they are still innovative and then getting out. The prospector's success depends on developing and maintaining the capacity to survey a wide range of environmental conditions, trends and events. Therefore, prospectors invest heavily in personnel who scan the environment for potential opportunities.

Since flexibility is critical to prospectors, the structure will also be flexible; it will rely on multiple technologies that have a low degree of routinization and mechanization.

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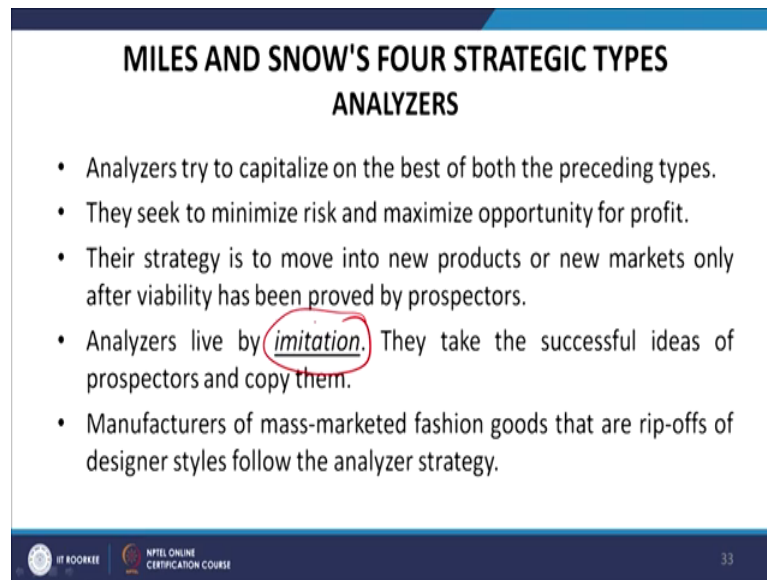
**MILES AND SNOW'S FOUR STRATEGIC TYPES**  
**PROSPECTORS**

- Therefore, prospectors invest heavily in personnel who scan the environment for potential opportunities.
- Since flexibility is critical to prospectors, the structure will also be flexible.
- It will rely on multiple technologies that have a low degree of routinization and mechanization.
- There will be numerous decentralized units.
- The structure will be low in formalization, have decentralized control, with lateral as well as vertical communications.

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There will be numerous decentralized units; the structure will be low in formalization, have decentralized control with lateral as well as vertical communications.

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### MITES AND SNOW'S FOUR STRATEGIC TYPES

#### ANALYZERS

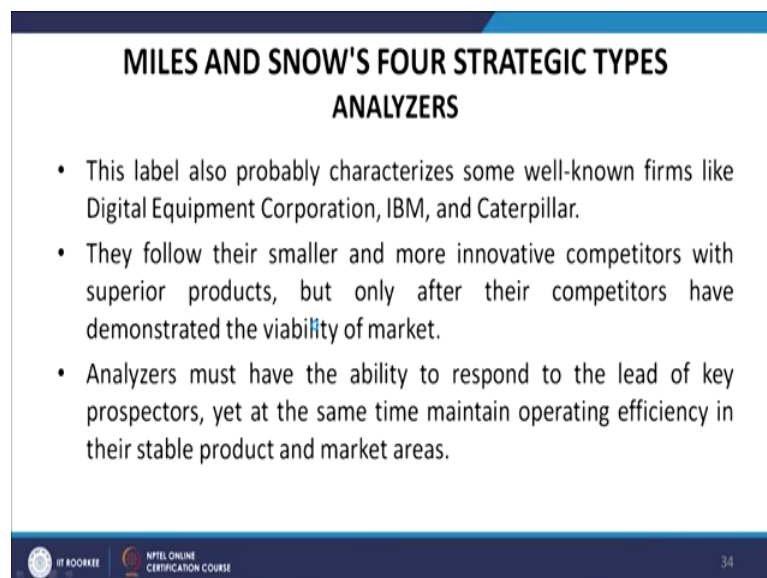
- Analyzers try to capitalize on the best of both the preceding types.
- They seek to minimize risk and maximize opportunity for profit.
- Their strategy is to move into new products or new markets only after viability has been proved by prospectors.
- Analyzers live by imitation. They take the successful ideas of prospectors and copy them.
- Manufacturers of mass-marketed fashion goods that are rip-offs of designer styles follow the analyzer strategy.

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The third strategic type are analyzers. Analyzers try to capitalize on the best of both the preceding types that is prospectors and defenders. They seek to minimize risk and maximize opportunity for profit; their strategy is to move into new products or new markets only after viability has been proved by prospectors. Analyzers live by imitation.

So, their basic go to market strategy is imitation. They take the successful ideas of prospectors and copy them. The manufacturers of mass marketed fashion goods that are rip offs of designer styles follow the analyzers' strategy.

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### MITES AND SNOW'S FOUR STRATEGIC TYPES

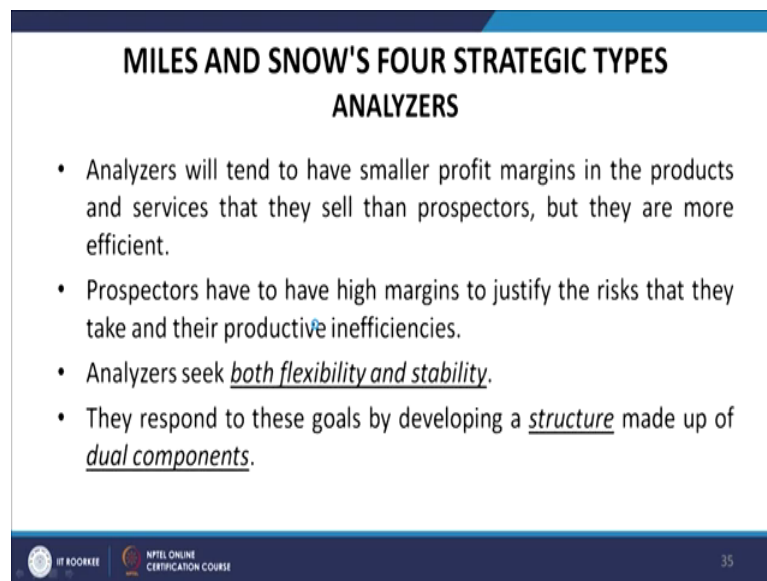
#### ANALYZERS

- This label also probably characterizes some well-known firms like Digital Equipment Corporation, IBM, and Caterpillar.
- They follow their smaller and more innovative competitors with superior products, but only after their competitors have demonstrated the viability of market.
- Analyzers must have the ability to respond to the lead of key prospectors, yet at the same time maintain operating efficiency in their stable product and market areas.

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This label also probably categorizes well known firms like digital equipment corporation, IBM and caterpillar. They follow their smaller and more innovative competitors with superior products; but only after the competitors have demonstrated the viability of market. Analyzers must have the ability to respond to the lead of key prospectors yet at the same time maintain operating efficiency in their stable products and market areas.

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**

**ANALYZERS**

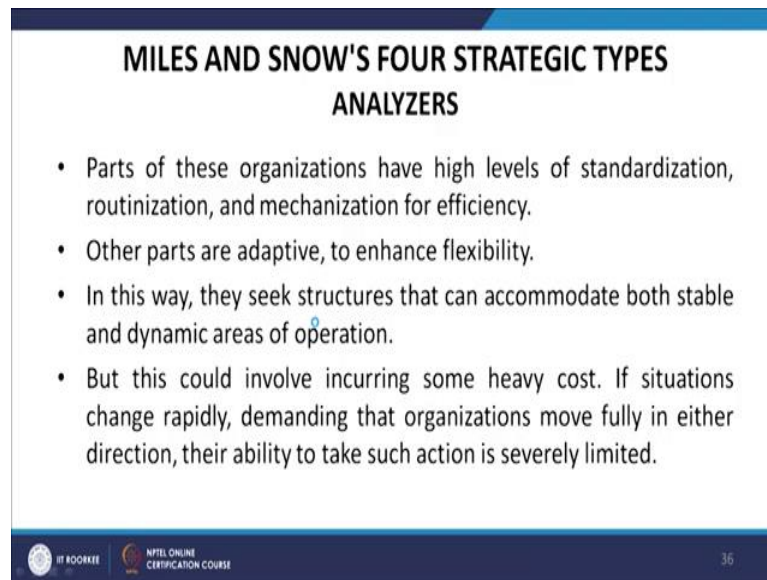
- Analyzers will tend to have smaller profit margins in the products and services that they sell than prospectors, but they are more efficient.
- Prospectors have to have high margins to justify the risks that they take and their productive inefficiencies.
- Analyzers seek both flexibility and stability.
- They respond to these goals by developing a structure made up of dual components.

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Analyzers will tend to have a smaller profit margins in the products and services that they sell than prospectors, but they are more efficient.

Prospectors have to have high margins to justify the risk that they take and their productive inefficiencies. Analyzers seek both flexibility and stability; they respond to these goals by developing structure made up of dual components.

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**  
**ANALYZERS**

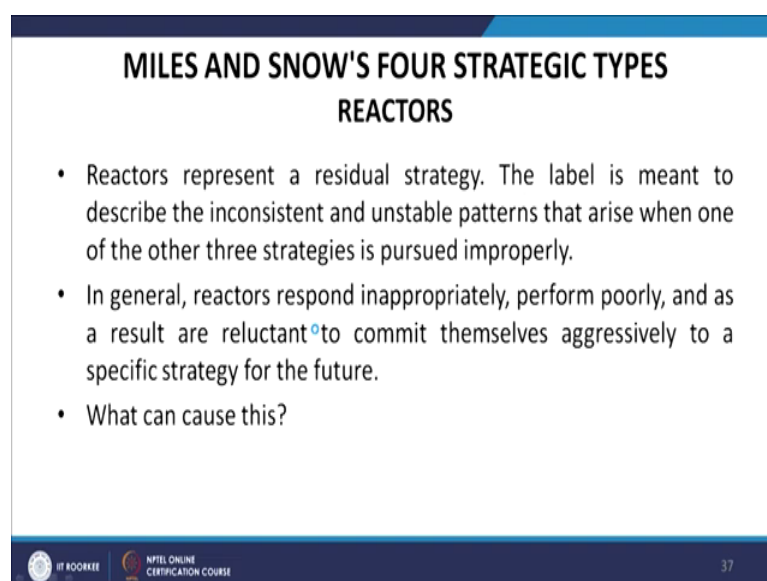
- Parts of these organizations have high levels of standardization, routinization, and mechanization for efficiency.
- Other parts are adaptive, to enhance flexibility.
- In this way, they seek structures that can accommodate both stable and dynamic areas of operation.
- But this could involve incurring some heavy cost. If situations change rapidly, demanding that organizations move fully in either direction, their ability to take such action is severely limited.

36

Parts of these organizations have high levels of standardization, routinization, and mechanization for efficiency. Other parts are adoptive to enhance flexibility. In this way they seek structures that can accommodate both stable and dynamic areas of operations.

But this could involve incurring some heavy costs. If situations change rapidly, demanding that organizations move fully in either direction, their ability to take such action is severely limited.

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**  
**REACTORS**

- Reactors represent a residual strategy. The label is meant to describe the inconsistent and unstable patterns that arise when one of the other three strategies is pursued improperly.
- In general, reactors respond inappropriately, perform poorly, and as a result are reluctant to commit themselves aggressively to a specific strategy for the future.
- What can cause this?

37

Now, the fourth strategic type is reactors. Reactors represent a residual strategy. The label is meant to describe the inconsistent and unstable patterns that arise when one of the other three strategies is pursued improperly.

In general, reactors respond inappropriately, perform poorly and as a result are reluctant to commit themselves aggressively to specific strategy for the future. But the question is what can cause this?

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**MILES AND SNOW'S FOUR STRATEGIC TYPES**

**REACTORS**

- Reasons for following reactor strategy:
  - Top management may have failed to make the organization's strategy clear.
  - Management may not have fully shaped the organization's structure to fit the chosen strategy.
  - Management may have maintained its current strategy-structure relationship despite overwhelming changes in environmental conditions.

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The reasons for following reactor strategy can be; one, top management may have failed to make the organization's strategy clear. Two, management may not have fully shaped the organization structure to fit the chosen strategy. The three is management may have maintained its current strategy-structure relationship despite overwhelming changes in environmental conditions.



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**MILES AND SNOW'S FOUR STRATEGIC TYPES**  
**REACTORS**

- Whatever be the reason, the outcome of following this strategy is the same. The organization lacks a set of response mechanisms with which to face a changing environment.
- Table 12.1 summarizes the Miles and Snow strategic typologies. It shows the goal(s) of each, the type of environment that each faces, and the structural mechanisms that management would choose to achieve their goal(s).
- The reactor strategy is omitted for the obvious reason that it results in ineffective performance.

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Whatever be the reason, the outcome of following this strategy is the same. The organization lacks a set of response mechanisms with which to face a changing environment. Table 12.1 summarizes the Miles and the Snow's strategic typologies; it shows the goals of each, the type of environment that each faces and the structural mechanism that management would choose to achieve their goals. The reactor strategy is omitted for the obvious reason that it results in ineffective performance.

So therefore we are talking about these three strategic types and not the fourth one that is we are not talking of reactors in this table 12.1. So, this table 12.1, it shows Miles and Snows strategic typologies. So, it starts with the strategy that is defender analyzer and prospects, then it talks about goals, stability and efficiency, stability and flexibility and flexibility.

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MILES AND SNOW'S FOUR STRATEGIC TYPES			
Table 12.1: Miles and Snow's Strategic Typologies			
STRATEGY	GOAL(S)	ENVIRONMENT	STRUCTURAL CHARACTERISTICS
Defender	Stability and efficiency	Stable	Tight control; extensive division of labor; high degree of formalization; centralized
Analyzer	Stability and flexibility	Changing	Moderately centralized control; tight control over current activities; looser controls for new undertakings
Prospector	Flexibility	Dynamic	Loose structure; low division of labor; low degree of formalization; decentralized.

Source: Robbins, S. P. (1990). *Organization Theory: Structures, Designs, and Applications*. Pearson Education India.

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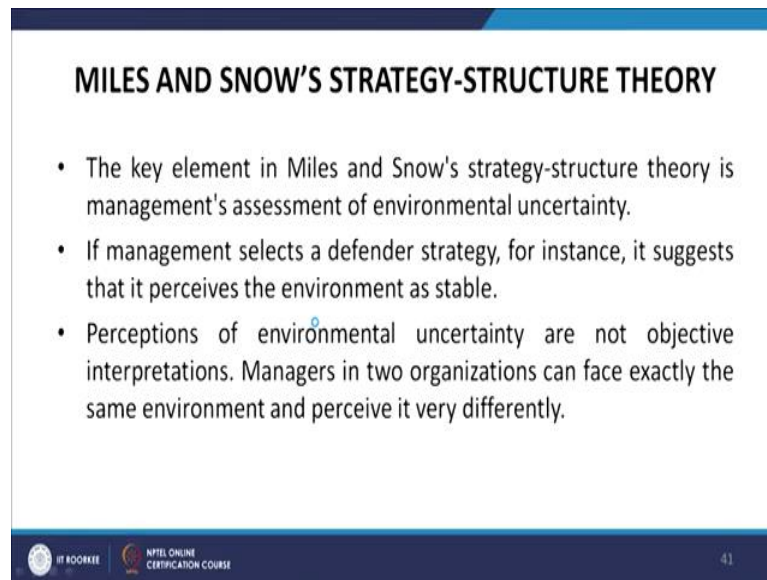
And then we are talking of an environment, stable, changing and dynamic and then we talk about the structural characteristics. Now, let us look at each one of them. So, when the strategy is that of defender the goals are stability and efficiency and the environment in which they are is stable.

Their structural characteristics involve tight control, extensive division of labour, high degree of formalization and centralized. While in strategy, the goals are stability and flexibility and the environment is changing. The structural characteristics include moderately centralized control, tight control over current activities, looser controls for new undertakings.

In the third strategic type that is prospector, the goals are flexibility environment is dynamic. And the structural characteristics include loose structure, low division of labor, low degree of formalization and decentralization.

The key elements in Miles and Snow's strategy-structure theory is management's assessment of environmental uncertainty. If management selects a defender strategy for instance, it suggests that it perceives the environment as stable. Perceptions of environmental uncertainty are not objective interpretations.

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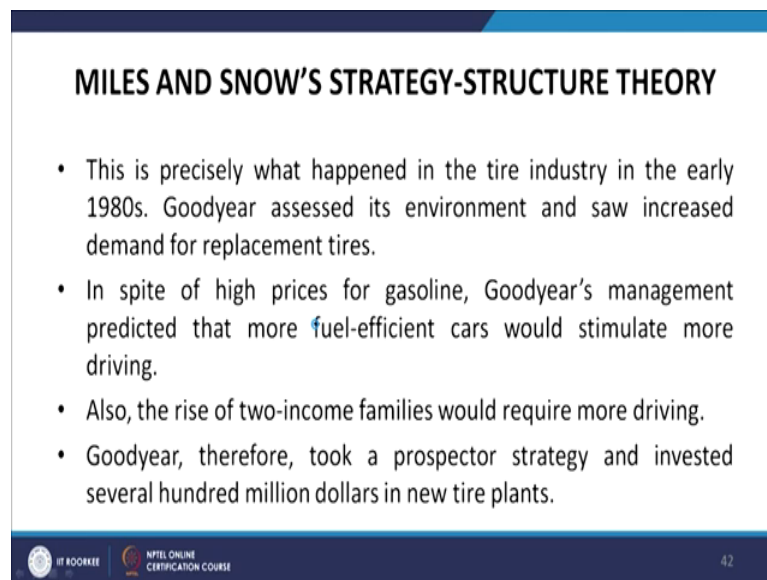
**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

- The key element in Miles and Snow's strategy-structure theory is management's assessment of environmental uncertainty.
- If management selects a defender strategy, for instance, it suggests that it perceives the environment as stable.
- Perceptions of environmental uncertainty are not objective interpretations. Managers in two organizations can face exactly the same environment and perceive it very differently.

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Managers in two organizations can face exactly the same environment and perceive it very differently.

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**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

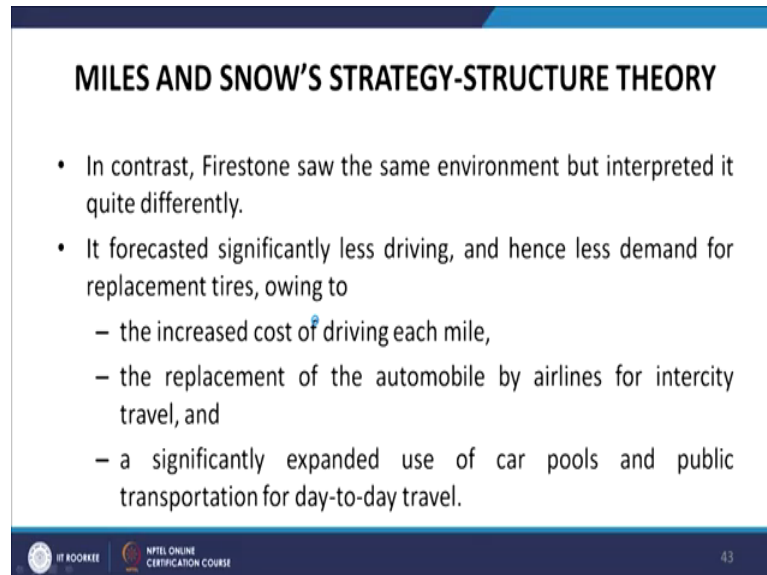
- This is precisely what happened in the tire industry in the early 1980s. Goodyear assessed its environment and saw increased demand for replacement tires.
- In spite of high prices for gasoline, Goodyear's management predicted that more fuel-efficient cars would stimulate more driving.
- Also, the rise of two-income families would require more driving.
- Goodyear, therefore, took a prospector strategy and invested several hundred million dollars in new tire plants.

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driving. Good year therefore took a prospector strategy and invested several hundred millions of dollars in new tire plants.

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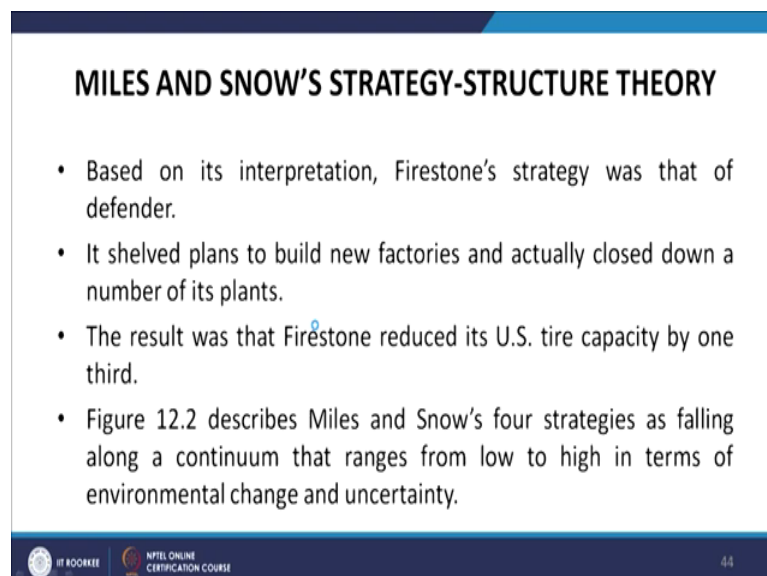
### MILES AND SNOW'S STRATEGY-STRUCTURE THEORY

- In contrast, Firestone saw the same environment but interpreted it quite differently.
- It forecasted significantly less driving, and hence less demand for replacement tires, owing to
  - the increased cost of driving each mile,
  - the replacement of the automobile by airlines for intercity travel, and
  - a significantly expanded use of car pools and public transportation for day-to-day travel.

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In contrast firestone saw the same environment but interpreted it quite differently. It forecasted significantly less driving and hence less demand for replacement tires owing to the increased cost of driving each mile. The replacement of automobile by airline for intercity travel and a significantly expanded use of car pools and public transportation fault day to day travel.

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### MILES AND SNOW'S STRATEGY-STRUCTURE THEORY

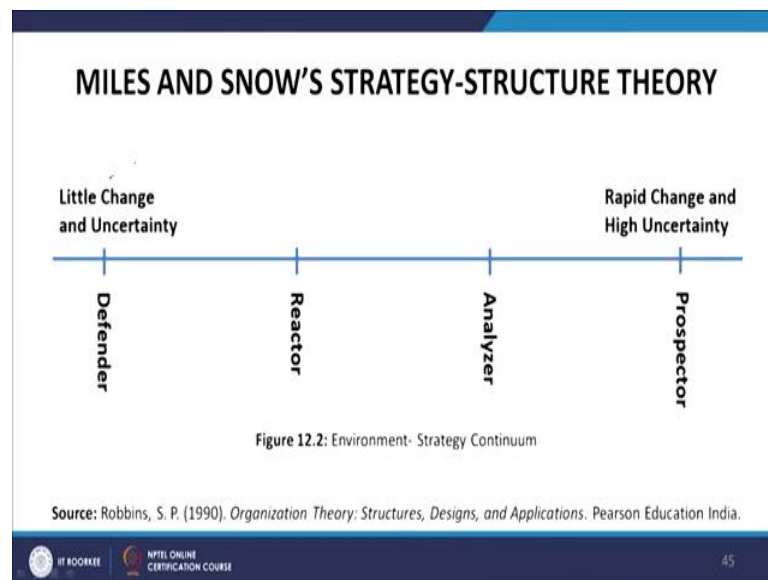
- Based on its interpretation, Firestone's strategy was that of defender.
- It shelved plans to build new factories and actually closed down a number of its plants.
- The result was that Firestone reduced its U.S. tire capacity by one third.
- Figure 12.2 describes Miles and Snow's four strategies as falling along a continuum that ranges from low to high in terms of environmental change and uncertainty.

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Based on this interpretation, firestone's strategy was that of defender; it shelved plans to build new factories and actually closed down a number of its plants. The result was that firestone reduced its U. S tire capacity by one third.

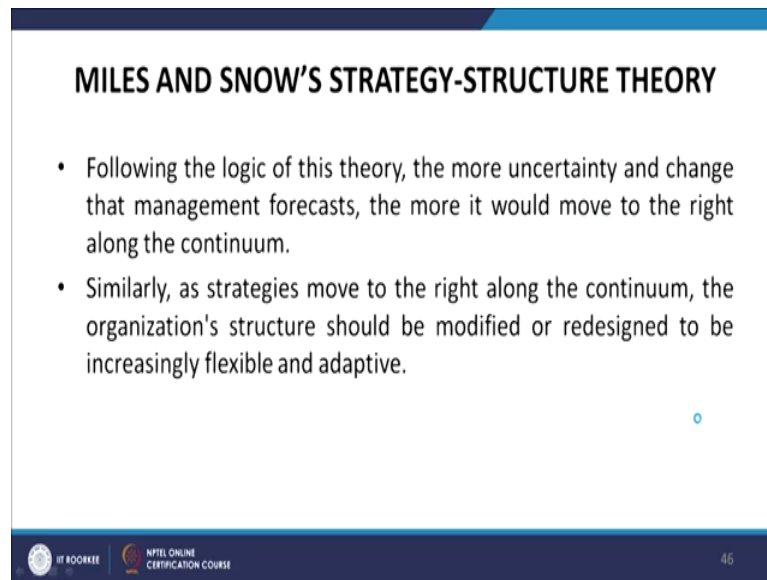
Figure 12.2 describes Miles and Snow's four strategies as falling along a continuum that ranged from low to high in terms of environmental change and uncertainty. So, this is that figure 12.2.

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So, now, it is you can see that here the environment is little change and uncertainty; here it is a rapid change and high uncertainty. So, when the change is little and the uncertainty is also low, then we have defender and then we move on to reactor analyzer. While when there are rapid changes and high uncertainty, it is appropriate to follow this prospector.

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**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

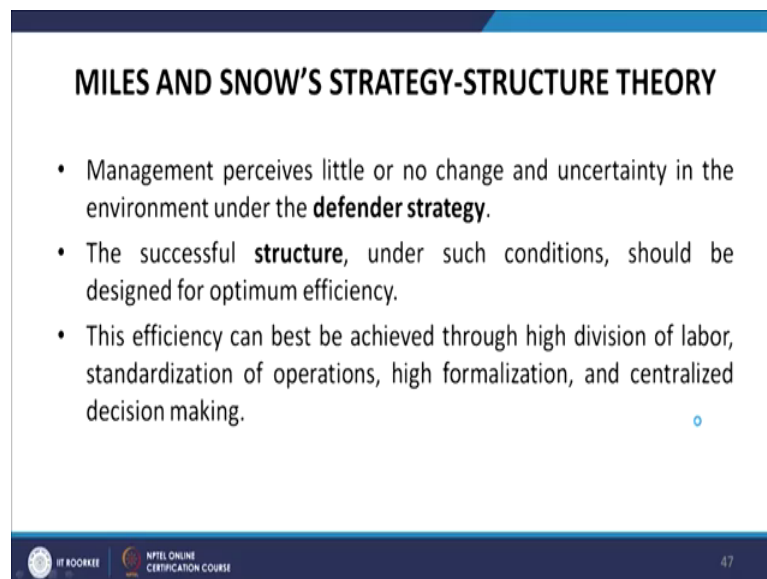
- Following the logic of this theory, the more uncertainty and change that management forecasts, the more it would move to the right along the continuum.
- Similarly, as strategies move to the right along the continuum, the organization's structure should be modified or redesigned to be increasingly flexible and adaptive.

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Following the logic of this theory the more uncertainty and change the management forecasts, the more it would move to the right along the continuum. Similarly, as the strategies move to the right along the continuum, the organization's structure should be modified or redesigned to be increasingly flexible and adaptive.

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**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

- Management perceives little or no change and uncertainty in the environment under the **defender strategy**.
- The successful **structure**, under such conditions, should be designed for optimum efficiency.
- This efficiency can best be achieved through high division of labor, standardization of operations, high formalization, and centralized decision making.

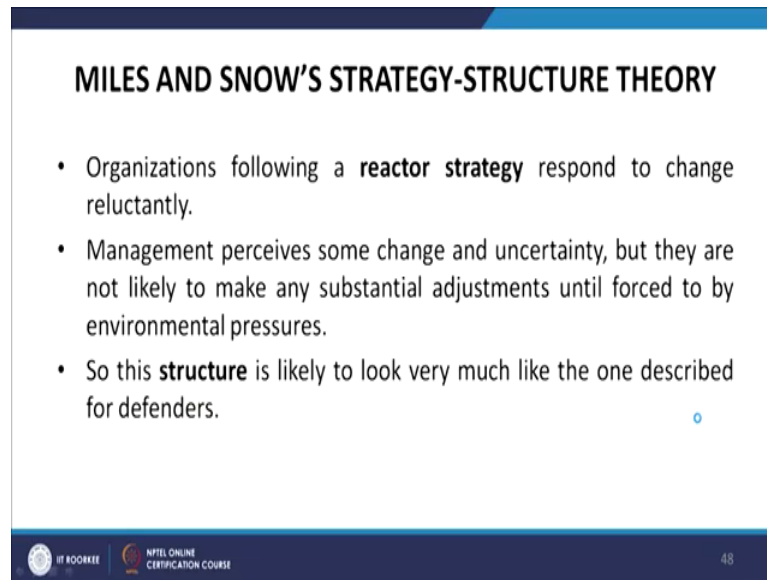
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Management perceives little or no change and uncertainty in the environment under the defender strategy. Thus successful structure under such conditions should be designed for optimum efficiency.

This efficiency can best be achieved through high division of labour, its standardization of operations, high formalization and centralized decision making. Organizations following a reactor strategy respond to change reluctantly.

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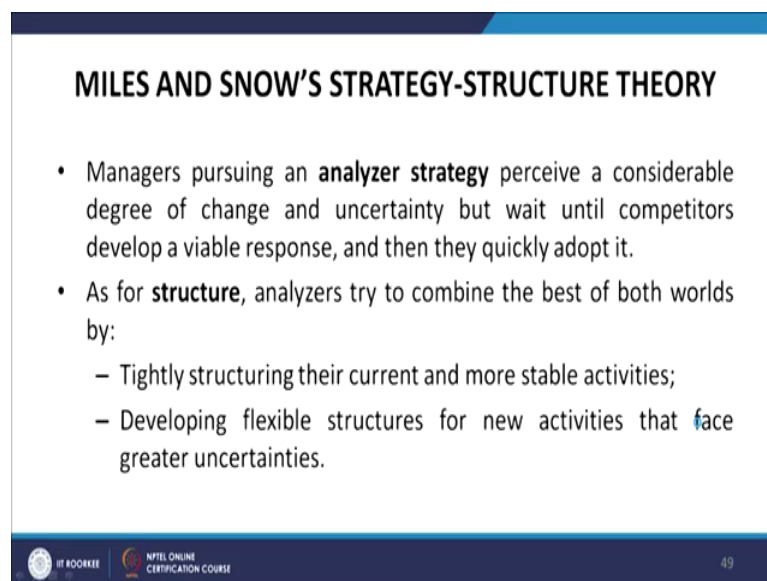
**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

- Organizations following a **reactor strategy** respond to change reluctantly.
- Management perceives some change and uncertainty, but they are not likely to make any substantial adjustments until forced to by environmental pressures.
- So this **structure** is likely to look very much like the one described for defenders.

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Management perceives some change and uncertainty but they are not likely to make any substantial adjustments until forced by environmental pressures. So, this structure is likely to look very much like the one described for defenders.

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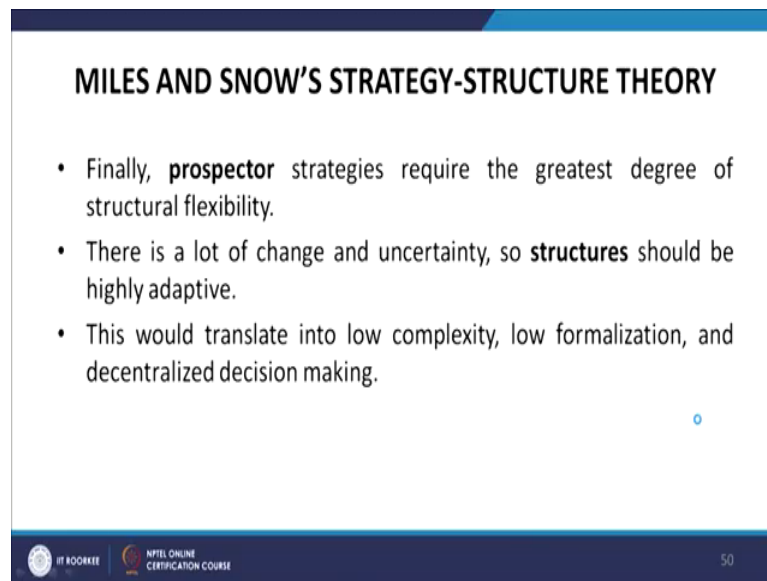
**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

- Managers pursuing an **analyzer strategy** perceive a considerable degree of change and uncertainty but wait until competitors develop a viable response, and then they quickly adopt it.
- As for **structure**, analyzers try to combine the best of both worlds by:
  - Tightly structuring their current and more stable activities;
  - Developing flexible structures for new activities that face greater uncertainties.

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Managers pursuing an analyzer strategy perceive a considerable degree of change and uncertainty; but wait until competitors develop a viable response and then they quickly adopt it. As for a structure analyzers tried to combine the best of both worlds by; one tightly structuring their current and more stable activities, and developing flexible structure for new activities that face greater uncertainties.

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**MILES AND SNOW'S STRATEGY-STRUCTURE THEORY**

- Finally, **prospector** strategies require the greatest degree of structural flexibility.
- There is a lot of change and uncertainty, so **structures** should be highly adaptive.
- This would translate into low complexity, low formalization, and decentralized decision making.

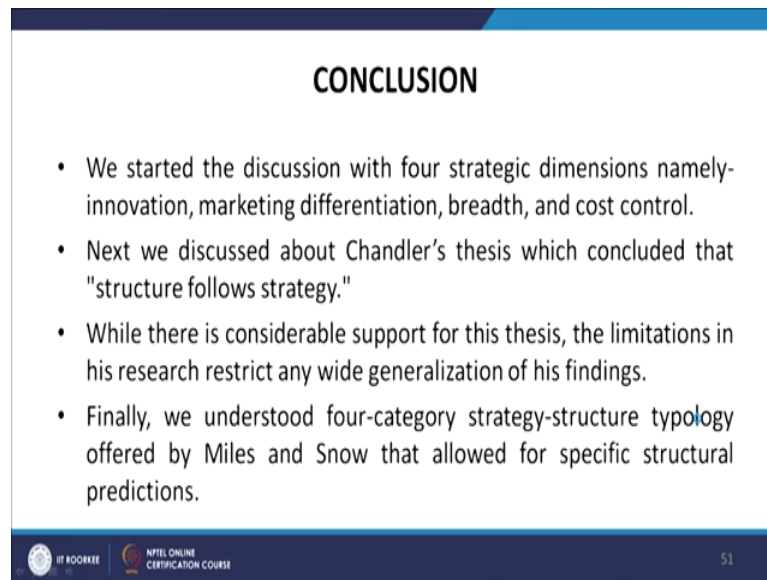
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Finally, prospector strategies require the greatest degree of structural flexibility. There is a lot of change and uncertainty so, structures should be highly adoptive. This would translate into low complexity, low formalization and decentralized decision making.





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## CONCLUSION

- We started the discussion with four strategic dimensions namely- innovation, marketing differentiation, breadth, and cost control.
- Next we discussed about Chandler's thesis which concluded that "structure follows strategy."
- While there is considerable support for this thesis, the limitations in his research restrict any wide generalization of his findings.
- Finally, we understood four-category strategy-structure typology offered by Miles and Snow that allowed for specific structural predictions.

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So, to conclude this module we started the discussion with four strategic dimensions namely innovation, marketing differentiation, breadth and cost control. Next we discussed about Chandler's thesis; which concluded that structure follows a strategy. While there is a considerable support for the thesis, the limitations in his research restricts any wide generalization of his findings.

Finally, we understood four-category strategy-structure typology offered by Miles and Snow that allowed for specific structural predictions. And these are the four books from which the material for this module was used.

Thank you.