Chapter Two

Strategy, Organization Design, and Effectiveness

Top Management Role in Organization Direction, Design, and Effectiveness

External Environment

- Opportunities
- Threats
- Uncertainty
- Resource Availability

CEO, Top Management Team

Strategic Management

- Define mission, official goals
- Select operational goals, collaborative strategies

Internal Environment

- Strengths
- Weaknesses
- Distinctive competence
- Leadership Style
- Past Performance

Organization Design

- Structural Form—Learning vs. efficiency
- Information and control systems
- Production technology
- Human resource policies, incentives
- Organizational culture
- Interorganizational linkages

Effectiveness Outcomes

- Resources
- Efficiency
- Goal attainment
- Stakeholders
- Competing values

Goal Type and Purpose

<table>
<thead>
<tr>
<th>Type of Goals</th>
<th>Purpose of Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official Goals, mission:</td>
<td>Legitimacy</td>
</tr>
<tr>
<td>Operative goals:</td>
<td>Employee direction and motivation</td>
</tr>
<tr>
<td></td>
<td>Decision guidelines</td>
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<td></td>
<td>Standard of performance</td>
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</table>

Porter’s Competitive Strategies

<table>
<thead>
<tr>
<th>Competitive Scope</th>
<th>Competitive Emphasis</th>
<th>Strategy</th>
<th>Example</th>
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<tbody>
<tr>
<td>Broad</td>
<td>Low Cost</td>
<td>Low-Cost Leadership</td>
<td>GoFly Ltd.</td>
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<tr>
<td>Broad</td>
<td>Uniqueness</td>
<td>Differentiation</td>
<td>Starbucks Coffee Co.</td>
</tr>
<tr>
<td>Narrow</td>
<td>Low Cost</td>
<td>Focused Low-Cost Leadership</td>
<td>Enterprise Rent-a-Car</td>
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<tr>
<td>Narrow</td>
<td>Uniqueness</td>
<td>Focused Differentiation</td>
<td>Edward Jones Investments</td>
</tr>
</tbody>
</table>
Miles and Snow’s Strategy Typology

Prospector
- Learning orientation; flexible, fluid, decentralized structure
- Strong capability in research
- Values creativity, risk-taking, and innovation

Defender
- Efficiency orientation; centralized authority and tight cost control
- Emphasis on production efficiency, low overhead
  - Close supervision; little employee empowerment

Analyzer
- Balances efficiency and learning; tight cost control with flexibility and adaptability
- Efficient production for stable product lines; emphasis on creativity, research, risk-taking for innovation

Reactor
- No clear organizational approach; design characteristics may shift abruptly depending on current needs

Contingency Factors Affecting Organization Design

The right mix of design characteristics fit the contingency factors

Contingency Approaches to the Measurement of Organizational Effectiveness

External Environment

Organization

Product and Service Outputs

Resource Inputs

Internal activities and processes

System resource approach

Internal process approach

Goal approach
Reported Goals of U.S. Corporations

<table>
<thead>
<tr>
<th>Goal</th>
<th>% Corporations</th>
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<tbody>
<tr>
<td>Profitability</td>
<td>89</td>
</tr>
<tr>
<td>Growth</td>
<td>82</td>
</tr>
<tr>
<td>Market Share</td>
<td>66</td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>65</td>
</tr>
<tr>
<td>Employee welfare</td>
<td>62</td>
</tr>
<tr>
<td>Product quality and service</td>
<td>60</td>
</tr>
<tr>
<td>Research and development</td>
<td>54</td>
</tr>
<tr>
<td>Diversification</td>
<td>51</td>
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<tr>
<td>Efficiency</td>
<td>50</td>
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<tr>
<td>Financial stability</td>
<td>49</td>
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<tr>
<td>Resource conservation</td>
<td>39</td>
</tr>
<tr>
<td>Management development</td>
<td>35</td>
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</tbody>
</table>


Four Models of Effectiveness Values

**STRUCTURE**

- **Human Relations Model**
  - Goal values: human resource development
  - Subgoals: cohesion, morale, training
- **Internal Process Model**
  - Goal values: stability, equilibrium
  - Subgoals: information management, communication
- **Open Systems Model**
  - Goal values: growth, resource acquisition
  - Subgoals: flexibility, readiness, external evaluation
- **Rational Goal Model**
  - Goal values: productivity, efficiency, profit
  - Subgoals: planning, goal setting

Effectiveness Values for Two Organizations

STRUCTURE
FLEXIBILITY

Human Relations Model
Open Systems Model

Internal Process Model
Rational Goal Model

ORGANIZATION A
CONTROL

ORGANIZATION B
INTERNAL

FOCUS

INTERNAL EXTERNAL