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Design of organizational structures of management according to strategy of development of the enterprises

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Abstract

Strategy of development of the organization is the major factor influencing organizational structure of management. Design of organizational structure of management has to begin with the formulation of strategy of the organization. In article strategy of development of the organization are considered and the best are assumed for them types of organizational structure of management. It is connected with that certain mechanisms which are a part of a certain organizational structure are necessary for successful realization of strategy of development. In article strategy of development of the petrochemical enterprises of the Russian Federation are also analyzed.

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1. Introduction

An important factor in organizational design is the development strategy of the organization. The strategy of the organization is connected with other factors of the organizational design and is under their influence. In the course of organizational design it is necessary to consider that strategy of development of the organization also has impact on factors of organizational design.

The organizational structure of management needs to be formed taking into account strategy of development of firm. Only in this case strategy can be effectively realized. It is connected with that the corresponding set of functions, the corresponding communications, shots is necessary for realization of strategy. All this makes a basis of

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any organizational structure of management, without it it is impossible to construct effective system of decision-making.

The firms which didn't realize interrelation between strategy of the organization and its organizational structure build organizational structures on the basis of problems of the current activity. When these tasks change, such firms carry out correction of organizational structure of management. But in case of such approach the organizational structure of management can become a brake of development of the organization. Creation of structure taking into account strategy of the organization means first of all creation of flexible organizational structure. It gives the chance to change the purposes, tasks, methods of the organization within the chosen strategic direction of development.

Questions of strategic management were researched by Andrews (K.R.) 1981, Ansoff H.I. (1965), Chandler A.D. (1962), Drucker P.F. (1954), Freeman R.E. (1984), Higgins J.M. (1983), Hill Charles W. L. and Gareth R. Jones (2004), Kotler P. (1984), Mintzberg H. (1987), Nag R. and Hambrick D. C. and Chen M.-J. (2007), Pearce J.A. and Robinson R.B. (1985), Peters T. and Waterman R. H. (1982), Porter M.E. and Kramer M.R. (2006), Thompson J.L. and Strickland A.J. (1999), Vikhansky O.S. (2009).

Design of the general structure of the organization is based on strategy of the organization, but isn't the strategy of itself. Chandler A.D. (1962) is formulated the following principle: "Strategy defines structure". As eventually strategy can change, corresponding changes and in organizational structures can be necessary. Therefore the organizational structure created as a result of design has to be flexible. Essential changes in plans of the organization will inevitably cause corresponding changes in structure. That is the organizational structure has to will change under the influence of changes of strategy of the organization.

Formation of organizational structure of firm has to begin only after definition of main objectives, tasks of the organization, after development of its strategy. In this regard it is quite logical that change of strategy of firm has to cause change of its organizational structure of management.

2. Methodology

Carrying out the analysis of the existing development strategy, it is possible to allocate some general principles of creation of the organizational structures of management adapted for operating conditions of firm. In this work the purpose to consider the strategy of development of the organization offered Vikhansky O. S. (2009) and to develop the basic principles of formation of organizational structures of management for the firms using these strategy is set.

2.1. Strategy of the concentrated growth

These strategy mean that:

- or the firm seeks to improve the product or to start making new without change of branch in which it functions
- or the firm seeks to improve the position in the existing market
- or looks for possibilities of transition to the new market

We will consider strategy of the concentrated growth in more detail.

Strategy of strengthening of a position in the market.

The firm within this strategy seeks to win the best positions in the existing market with the existing product. Is suitable for realization of this strategy both linear, and functional and linearly - functional types of organizational structures. It is connected with that strategy of strengthening of a position in the market doesn't demand cardinal changes in activity of the organization, but demands from firm of big marketing efforts. The structure which is horizontally integrated organizational is suitable for realization of this strategy. In this case strengthening of a position in the existing market with the existing production is carried out due to establishment of control over the competitors.

Strategy of development of the market.

The firm realizing this strategy is occupied with search of the new markets for already made production. In this case the divisional structure by the geographical principle or on clients is created.

Within this strategy becomes a priority of firm:

- development of capacities,

- development of distribution system of production,
- carrying out the complex actions concerning expansion of the market of own production,
- expansion of cooperation with the international financial institutions.

It results in need of a further divizationalization of organizational structure.
Product development strategy.

This strategy assumes production and realization of a new product on old, already mastered by firm, the market. In this case some options are possible. If the new product is only an advanced form of an old product, here approaches linear, linearly - functional or functional organizational structure. If the new product completely differs from old, the existing organizational structure of management has to be transformed to design structure of management or include some elements of design organizational structure.

2.2. Strategy of the integrated growth

In this case the integrated growth can be carried out by merger of the companies, as well as by expansion of the firm from within. To this type of a strategy is carried return vertical integration type of strategy (association with suppliers) and strategy of the going forward vertical integration (association with the structures relating to system of distribution and sales). Here vertically integrated structure is anyway created.

2.3. Strategy of diversified growth

Strategy of the aligned diversification.

Strategy is based on use of additional chance of production of new products which already existing business gives to firm. In this case the divisional organizational structure in which each division is engaged in release of a certain type of production is applied. This strategy also gives the chance to keep the existing organizational structure (as a rule, linearly - functional).

Strategy of horizontal diversification.

Strategy assumes release and realization of new production in the existing market with use of the technology other than the existing. In this case the firm starts making the products which aren't connected among themselves technologically but which could use already available possibilities of firm. It, for example, production of the goods accompanying already made product. In this case has to be considered the divisional organizational structure, which based on specialization of each structural division on production of a certain type of production.

Strategy of konglomerativny diversification.

In this case the firm starts making production which technologically isn't connected with already let out, and to sell it in the new markets. Successful implementation of this strategy is possible only at creation of divisional organizational structure when each independent division is responsible for release and realization of the production, and under the authority of the head company there is a solution of financial and strategic questions.

2.4. Strategy of purposeful reduction of business

Need for them arises during recession and cardinal changes both in external, and in the internal environment of the organization.

Treat such strategyio

Elimination strategy.

Takes place when the firm has no further prospects of business. This strategy can be carried out at any organizational structure of management.

Strategy of "harvesting".

It consists in reduction of costs of maintenance of unpromising business and obtaining the maximum income from sale of already made production during the short-term period of time. This strategy assumes gradual reduction of business which can't be profitably sold and can be carried out irrespective of a form of organizational structure.

Reduction strategy.

Strategy assumes that the firm liquidates or sells one of the divisions or businesses. This strategy assumes existence of divisional structure with divisions independent from each other that does reduction of division rather painless for firm in general. Strategy of reduction is carried out, as a rule, to receive means for development of more perspective business.

Cut in expenditure strategy.

It can be used when the firm needs to lower expenses temporarily. In case of following of this strategy the firm can reduce production expenses, reduce the personnel, stop production of non-profitable goods, etc. Strategy of cut in expenditure doesn't assume sale of divisions. The specified strategy can be carried out at any form of organizational structure of management.

Recommendations about a choice like organizational structure of management according to structure of development of the organization are presented in table 1.

Table 1. Recommendations about a choice like organizational structure of management.

Strategy type	Type of structure				
	On extent of formalization			As integration	
	the bureaucratic	the organic	the vertical	the horizontal	the diversified
strategy of strengthening of a position in the market	+			+	
strategy of development of the market				+	+
strategy of development of a product	+	+			
strategy of the integrated growth			+		
strategy of the aligned diversification	+				+
strategy of horizontal diversification					+
strategy of konglomerativny diversification					+
strategy of purposeful reduction of business					

3. Offers and conclusions

The organizational structure of management and strategy of the organization are closely connected among themselves, and depending on the chosen strategy it is necessary to build organizational structure. If the bureaucratic organizational structure is absent completely, the company can lose stability if there are no elements of organic type, the organization loses flexibility. Therefore, in organizational structure of one company elements of both bureaucratic, and organic types of organizational structures of management have to meet. The combination of these organic and bureaucratic elements is unique for each organization as a set of elements of organizational structure of firm and communication between them in each case have to provide realization of the set strategy in the best way.

The organizational structure can be considered optimum in case strategically important fields of activity correspond or are close to the allocated functional divisions, and also the need for coordination of activity of divisions is low.

Often basic organizational structures aren't capable to provide realization of the chosen strategy. In some cases there is a need for use of two or more types of organizational structures at the same time. In this case realization of strategy of development requires creation of special coordination mechanisms, such as design group. This group can consist of employees of the organization, of the consultants involved from outside, and also can have the mixed character. Main objective of such group is management of process of organizational design.

As practice shows, many organizations of the Russian Federation have functional or linearly - functional structures of management. However it is also necessary to note that domestic large corporations will organize structure of management by the divisional principle that testifies to higher level of their development.

The analysis of the enterprises of petrochemical branch of the Russian Federation allowed to construct the chart presented in figure 1.

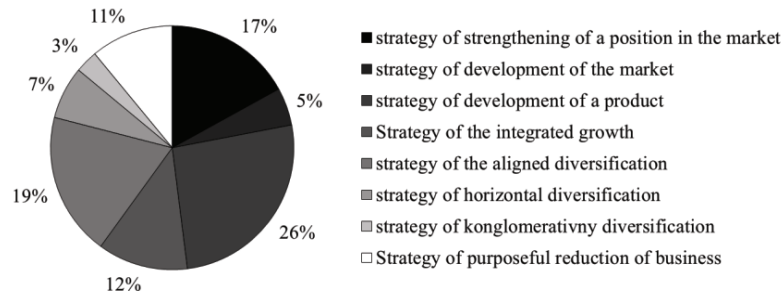


Fig. 1. Use of strategy of development of petrochemical branch of the Russian Federation by the enterprises in 2014.

Figure 1 allows to draw the following conclusions. Nearly a half of the enterprises of petrochemical branch adheres to strategy of the concentrated growth. It is caused by that at many enterprises of this branch actions for expansion of the market of the production, activation of multilateral cooperation with the international financial institutions are carried out. At the petrochemical enterprises following strategy of the concentrated growth accustom new and the existing sales markets develop, raises competitiveness of production.

Nearly a third of the petrochemical enterprises adheres to strategy of diversified growth. Diversification in this case is carried out both on grocery, and by the geographical principle.

The smaller number of the enterprises of petrochemical branch chose strategy of the integrated growth. This type of strategy is key for this branch. The insignificant percent of the enterprises which chose this strategy is explained by that at the majority of the petrochemical enterprises processes of vertical integration happened during earlier period of time and already came to the end.

Small share of the enterprises of petrochemical branch adhere to strategy of purposeful reduction of business. It is caused by a difficult situation in which there were data of the organization.

Divisional structures of management are more intended for use at the large diversified enterprises. In this case separate management of the divisions specialized on various strategic kinds of activity gives the chance of increase of efficiency of activity of the organization in general. It is possible thanks to that the enterprise in the best way to adapt to certain markets and decision-making time is reduced.

Introduction of new strategy or correction of the former assume emergence new or change of former key kinds of activity, competences and opportunities, is a consequence of that need of creation new or reorganizations of old organizational structure. If necessary changes aren't made, the structure of the organization ceases to correspond to its strategy and efficiency of management can decrease. As a rule, attempt to realize new strategy within old organizational structure is doomed to a failure. Strategy of the company changes together with external conditions, and together with it has to change and organizational structure, being arranged under new requirements of realization of strategy.

Effective functioning of the organization demands such strategy of management at which organizational structure optimum correspond to external conditions. It will allow to offer consumers competitive goods and services. The main complexity is that inquiries of consumers constantly change, and rival firms enter the market with new goods and technologies. For preservation of the competitiveness of the organization are compelled to follow requirements of the changing environment, changing according to these requirements the strategy and organizational characteristics, including organizational structure of management.

When in the market there are sharp changes, the enterprises taking in it the leading positions usually are badly prepared for proper response. In this situation their competitors having more flexible structure of management have an opportunity to occupy the appeared niche in the market.

For each organization there is a lag effect parameter which is shown in work on the outdated equipment, use of outdated knowledge and skills, existence of the organizational structures of management which aren't conforming to new requirements. This results from the fact that certain time on collection of information about changes of environment, the analysis of this information, development of versions of administrative decisions, a choice of the

most optimum of them, and also taking measures to realization of the chosen option of actions is required. In a certain degree the lag effect is caused by the sharp growth of transactional expenses at a reorganization stage.

In order that the organizations I reacted to changes of environment more flexibly, it is necessary to form the corresponding organizational mechanisms. Formation of flexible organizational structure of management, professional development of employees, creation of various internal reserves, use of effective information systems belong to such mechanisms.

The organizational structure of management has to be under construction according to requirements, features of its strategy. The organizational structure of management also has impact on a strategy choice. It means that when developing strategy of development, the organization has to consider those restrictions which are imposed on its functioning by organizational structure. Realization by the chosen organization of strategy of development demands use of certain methods, realization of certain functions. If the organizational structure doesn't allow to use any methods and functions, strategy can't be realized.

The organizational structure of management can and has to change. But possibilities of change of organizational structure of management are limited since even full reorganization of the organization is under the influence of such factors as a skill level of employees, financial and material resources of the organization. It is sometimes much simpler to create the new organization with the set characteristics, than to reconstruct the existing.

However the organizational structure has to change and be arranged under changes of strategic reference points within system of the restrictions put in this or that organizational structure of management. So, bureaucratic structures are the steadiest against changes while organic are the most flexible.

Each of the listed above circumstances can be an incitement to change of organizational structure of management. In turn change of organizational structure can cause development of the new strategic decisions which are best corresponding to the changed conditions. In other words, if a certain organizational structure assumes implementation of the corresponding strategy, and strategy can't be also effectively realized without existence of structure of management necessary for this purpose.

Thompson J.L. and Strickland A.J. (1999) formulated four main steps on reduction of structure to compliance with strategy:

- accurately to define primary activities and key links in a chain of values which have cardinal value for successful realization of strategy, and to make them basic elements of organizational structure;
- if all aspects of strategically significant kind of activity can't owing to any reasons be transferred to the jurisdiction of one manager, establish connection between divisions and provide necessary for coordination
- to determine the volume of the power (a circle of powers) necessary for the management of each division (organizational unit), seeking to provide thus effective balance between advantages of centralization and decentralization;
- to define, whether nonbasic kinds of activity out of the company more successfully and effectively, than the company can be carried out.

On the basis of all aforesaid it is possible to draw a conclusion that the analysis of strategy of the organization is a necessary condition at modification of organizational structure of management irrespective of the sizes of the organization, its stage of life cycle, like technology and other external and internal factors.

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