

## Matching Structure with Strategy

**There is not one beatific receipt for a successful organizational form. The articulation of an organization, the complexity of the decision procedures, and the governance mechanisms depend basically on the operational environment and the proprietary expectations.**

**At every firm, the fundamental standing points of estimation are the value chain and the efficacy of creating added values – in the same time there may be such special aspects that have significant effects on the requirements of an organization’s development. For example, think about the operational and organizational characteristics of a public transport service company. In companies like that the safety rules and requirements are so strictly regulated that they can overwrite other, e.g. financial and profitability aspects. Differential characteristics can be recognized between private and government corporations typically operating in competitive environment.**

*Keywords: organization, strategy, competencies*

### INTRODUCTION

We approach the form of organization through organizational structure. We can describe the “appropriate”, maturity of organizational structure by the basic structural features next:

- division of labor,
- division of competence,
- instruments of coordination,
- configuration.

In this article it is shown what dimensions of an organization’s development are suggested for consideration, and what components of these dimensions may be used. There is not one beatific receipt for establishing an organization, but basically the most effective forms are those that serve the realization of strategic goals the best.

### DIVISION OF LABOR AS A BASE OF BRANCHING THE ORGANIZATION

Under division of labor we mean dividing a bigger work to subtasks, and allocating each subtask to the proper organizational unit. In division of labor the units of the organization should be configured by various principles, and each unit has its own parts by means of further division of labor. The final parts of an organization’s structure are the actual jobs. The principles for division of labor are as follows:

- *Functional*: homogenous professional and basically supporting activities are separated from each other (e.g. research and development, acquisition, production, sale, finance)
- *Services and products portfolio*: tasks need to be performed are ordered to organizational units in accordance with services, products and group of products inside the organization (specialization in given products)
- *Regional principle*: division of labor based on regional principle means a separation of tasks in respect of cos-

turers (markets), geography, and areas of sale (specialization in given market).

Of course, the principles for division of labor can be combined.

### **One-dimensional and Multidimensional Organizations**

In *one-dimensional organizations* the primary division of labor is based exclusively on one of the above principles (on function, portfolio or region). On the grounds of this we distinguish:

- linear organization
- functional organization (division of labor is based on function)
- divisional organization (division of labor is based on products or region)

Disadvantage of one-dimensional organizations may be that they are too slow (the routes of service are too long) for the problems to present themselves cumulative, and the organizational units may double.

*Multidimensional organizations:* On the level of primary division of labor multidimensional organizations apply the above principles side by side (simultaneously). Matrix organizations are created on the same way. The basic division of labor principles can be combined on some ways: Function-product (group of products); function-region; region-product; function-project.

### **DIVISION OF COMPETENCE**

Of course, each organizational unit can complete its tasks only if its leaders have the proper competence. Division of competences within the organization means a configuration of leadership competences for the organizational units branched by the division of labor principles. Within this, the division of decision and ordinance competence between the directorate and the leaders of each leadership level in the hierarchy is especially important. By this we distinguish organizations with one-line system and multi-line system.

In a one-line organization every subordinate unit gets instructs only from one upper organizational unit in the hierarchy. In practice it means that dependent and professional governance are not separated from each other. The linearity created this way results in simple, easily outlined internal contacts, and in the simplicity of relations between upper and lower levels of the hierarchy. But there is a disadvantage: Communication can happen only through the routes of service, so horizontal coordination is difficult.

In multi-line organizations each subordinate unit can get instructions from two or more higher level units. In practice it means that dependent and professional governance are separated partially or completely, so professional leadership is separated from general employment relationship, which is independent of the firm's activity. One of the most important leadership functions is coordination between division of labor and division of competence. For establishing flexible and adaptive organizational structures it is necessary to create such a system of responsibilities, which can be connected to the interests of the firm and to the account that reflects productivity.

### **COORDINATION INSTRUMENTS AS ACCENTUATED STRUCTURAL CHARACTERISTICS**

Differentiation of organizational units is a natural consequence of division of competences and division of labor correspondent to changing environmental and internal conditions, so rather we should seek after joining the parts considering the organizational goals than dissolve the differences.

Coordination means ordering things to each other, matching things, bringing things into the proper relation. The differentiation of organizational units always comes together with a necessity of coordination. Coordination instruments are divided basically to two groups, depending on corporate culture, size of the organization, operational environment and profile. One group of

coordination instruments includes methods based on so-called institutionalized rules and reports – the other group's methods are based on the person and competences of the leader.

„Corporate planning, cost and performance accounting, and reporting and controlling systems, financial system, programs, regulations are the main instruments of corporate governance.”

### Structural Coordination Instruments

Solutions that build into the basic structure of the organization. They are not modifying primary division of labor or competence at all or just pro term. Possible solutions:

- *Staffs*: Strategic decisions in questions of preparation, development, marketing, organization reconstruction and innovation. Staffs are directly subordinated to the company leaders, they have no instructional rights, and they fulfill the important role of coordination groups – they look into work going on lower levels and falling under their specialty. They are connected to the directorate constantly, so they are special mediators of strategic ideas downward and opportunities upward through the hierarchy. Staffs have a wider range of vision, so their suggestions always contain the principle of seeing things from multiple angles.
- *Projects*: Within the confines of a project people with different motivation, knowledge and skill from different areas of profession and levels of hierarchy are brought together to complete such tasks and plans, which have the following characteristics: Non-recurrent, complex, limited in time (they have deadlines), relatively new, very risky (the result is uncertain).
- *Team*: The team is a task-oriented, autonomous unit containing individuals from various positions and areas of the organization. The team is created for resolving a problem or completing a temporal or persistent task. It ensures

the intensive communication between the firm's various leadership levels and functional units, the professional and technical grounding of the decisions, the participation of the employees, and the simultaneous representation of the operative and strategic considerations.

- *Product Management System*: It ensures the (horizontal) coordination between the subsystems of development, production, marketing, etc. by matching a responsible leader to each product or group of products. This leader has the authority to get all the information related to his product or group of products, and to mediate between the functions.

### Technocratic Coordination Instruments

Corporate planning, cost and performance accounting, and reporting and controlling systems, financial system, programs, regulations are the main instruments of corporate governance. Competences related to the value chain may be differentiated as listed below:

- decide (D)
- suggest (S)
- contribute (C)
- execute (E)
- monitor (M).

In each organizational unit we can match authority and responsibility limits of sum to these competences. By this matching we can define such points of control built into the processes, which lower the operational and financial risks of the firm significantly.

### Person-Oriented Coordination Instruments

These instruments help individuals to identify themselves with the organization, the organizational goals and the tasks to be completed.

- On the one hand, instruments that are motivating, forcing and leading individuals directly;
- On the other hand, instruments that are affecting the members of the organization psychologically and – in a measure – ideologically (e.g. credo of the corporation, or a definition of the values).

## CONFIGURATION AS A SECONDARY STRUCTURAL FEATURE

Division of labor, system of authority and applied coordination instruments are the primary structural characteristics. On the other hand, configuration is the secondary or derived structural feature. In effect, the first three creates a frame of the organization's structure, namely the configuration. Configuration as a derived structural feature that in any case has independent significance can be described by the categories below:

- Depth of the organization's articulation, that is the number of the levels in the hierarchy in respect of the organization's main activity;
- Width of the organization's articulation, meaning the number of subordinates under a leader on each level of the hierarchy;
- Size of each organizational unit;
- Complexity of the organization: Depth of the organization's articulation multiplied by the width, that is the size of each organizational unit, or the number of the employees in the given unit.

## CONCLUSION

The organizational structure of big, typically risk-avoiding government corporations makes it possible for them to have more complex procedures for decision preparations and execution, and to have strong regulations. Besides efficacy requirements they must be fit to special tasks, e.g. of public service.

In the case of companies operating in the competitive sphere, development requirements of the organization are determined

basically by considerations of efficacy. At smaller firms strong leadership competences can often bridge organizational deficiencies. In the case of so-called knowledge-centered entertainments engaged in innovation, the higher and higher level execution of corporate learning and knowledge-gathering is overwriting everything else. So there is not one beatific receipt, so each firm have to establish an organizational-operational system that serves the achievement of strategic goals most efficiently – so organizational structure may as well be a factor of success.

## LITERATURE

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