

**Designing Work Organization**  
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**Lecture 5**  
**A Framework for Selecting Strategy and Design**

In this particular session, we will talk about a framework for selecting the study. So, we will discuss strategy and design and importance of the goals. In previous session, we have talked about that is the how the organizations are focusing on the organizational goals. So, here when we talk about the goals, so naturally we have to select the strategy to achieve those goals. Some of these theories and strategies we have discussed in the previous session, some remaining theories and strategies, we will discuss in this particular session. Then, we will talk about the two models that is a porter model of the competitive strategies and the Miles and Snow's strategy typology.

Now, we will also talk about how strategies affect the organization design, organization design outcomes of strategy and as usual the case study, research papers, book recommendations and references will be there. We understand, that the organizations are driven by the goals and these articulation of the goals it becomes very, very important. Whether, it is the official goals and the operating goals, both goals are important for the organization is there, but they have very different purposes. So, official goals and the mission statements describe a value system for the organization that is what will be the value by which they will achieve this particular goal is there.

For example, excellence, excellence in the quality, then we will talk about it is a value system for organization and therefore, it will be the official goal will be there. And when we set in overall purpose and the vision, then operating goals represent the primary task of the organization. So, therefore, in that case, it is a task oriented, activities oriented. So, operating goals will be always there for these organizational goals, while the official goals are, they are more based on the value systems are there. The official goals legitimize the organization and the operating goals are more explicit and the well defined is there because they are task oriented.

So, unless and until we do not explain the task, then in that case, it will not be possible for the any operating officer to make these achievement of the operating goals are there. So, each classification of the task and activity that will be explicit and well defined will be there. The mission or official goals communicate the organization's purpose and values and the bestow legitimacy is there. So, therefore, in that case, it is what the organization is having these particular recognition and goal and that will be decided by these in this particular mission of the official goal is there. While, operating goals

examples, we can take provide employees direction and motivation is there that this is a particular activity which will be followed by this particular organizations is there.

Offer decision guidelines are there and therefore, in that case, it is deciding about that is how these guidelines which will be helping to complete a particular task or activity and define a standard of performance is there, that is the what is the minimum expectation is there for the benchmarking for the standard of performance is there which will be acceptable will be there, that is a quality control will be there. Now, when we are talking about deciding these organization goal and the operating goals, then in that case, definitely we have to select the strategy that what will be our strategy to achieve these goals. To support and accomplish the organization's strategic intent and keep people focused in the direction determined by the organizational mission is there. So, organization strategies are always are framed and the purpose of this strategy should be that is people focus in the direction. So, therefore, in that case that what will be the line of action by the employees working into the organization and the we these organizations vision, mission, this will be creating they are focusing on the this particular strategy designing.

So, that the organization mission, vision, and goals can be achieved. Official goals and the operating goals are concerned, then manager has to select a strategy. Which will be specific and design options that can help the organization to achieve its purpose and goals within its competitive environment is there. And therefore, in that case, whatever we talk about that is the operational goals are there, then in that case and the strategy which will be adopted by the executives and that will be having the purpose and goal which will be matching with the competitive environment. I also talked previously, that is about the external environmental factors are the spelt approach social, political, economical, legal, technological approach is there.

So, this is a dynamic, environment is dynamic and therefore, the competitive environment keeps on changing and as a result of which your strategy, how to design that we have to understand because a strategy is a plan for interacting with the competitive environment. And when you are you are working into a dynamic environment, then definitely in that case you are required to work with to have a particular thinking. Thinking that is we have to match with not only the current competitive environment, but in the future also, what will be the challenges and accordingly, we have to work on that. So, some managers think of the goals and strategies as the interchangeable are there, but for our purpose goals define where the organization wants to go and strategies define how it will get there. So, to achieve the goal, strategy is a mean and therefore, through this particular tool, we are going to achieve their organization goal.

For example, a goal might be to achieve the 15 percent annual sales growth. Now, the strategies to reach that particular goal might include the aggressive advertising to attract the new customers, motivating the salespeople to increase the average size of the customers purchases and acquiring the other business that produce the similar products are there. So, out there are the different strategies and every organization will decide its strategies, the strategies are normally the long term plans are there. So, this particular plan to achieve a goal and what is the goal? 15 percent annual sales. So, now which strategy will be the best strategy and how to design the strategy that we will be discussing in the further session.

So, two models have been proposed by the here that first we will talk about the Porter's model of the competitive strategies are there. Now, two models for performance are the Porter model of competitive strategies and the Miles and Snow strategy typology, we will discussing is there. The Porter's generic competitive strategies are there. Here, these are certain suggestions, you can design the strategy for your own organization while taking the clue from this particular slide. For example, cost leadership is there.

I always give the examples of these, the global automobile industries and then in that case we find that is, if you want to make the more effective production then the many organizations they are focusing on the cost leadership is there. That is, how we can minimize the cost of the product is there and this is not applicable on little any manufacturing this is a it is also applicable to the service industries. So, any organization can decide a strategy that will be the cost leadership will be there. Some organizations, they decide that is the differentiation is there. So, normally, broadly they will decide about that is either go for the cost leadership or the differentiation strategy.

So, I will be different from my competitor and how I will be different from my competitor and that strategy has to be decided. And normally, the cost focus is there. So, lower cost is there or the differentiation focus is there and therefore, in that case whether you are having the narrow or the broad if the lower cost is there then the cost focus will be there and when we are talking about the broader reason is there then we will say it is a cost leadership is there. The miles and snow strategy typology, that is about the prospector, defender and reactor and the analyzer is there and therefore, in that case the strategies which will be decided here and that is about that is whether we are going to make a prospectors or we are going by these a defender. So, Porter's competitive strategies in the study a number of business organizations and propose that managers can make the organization more profitable and less vulnerable by adopting either a differentiation strategy or a low cost leadership strategy is there.

So, differentiation strategy is the focus on the uniqueness is there. So, whenever you are making the focus on uniqueness, then you decide about your USP that what will be your USP will be there. For example, that is the upper organization is there and therefore, in that case that is a differentiation that is, here in the cost leadership you will find the Apple products they are having a different range. So, price range is different, but they are making themselves as a differentiate from the other competitors are there. So example, NARROW SCOPE is there, then the Edward Jones investments are there that is another example.

Low cost leadership will be focused on the efficiency low cost is there. So example is the Walmart is there and therefore, and that model has become very popular also and in India also we will find that is in the similar the concept many retail chains are there. So, here the low cost leadership that is making you the different from the others are there. And now the family dollar is there another example is given NARROW SCOPE is there and that is about the family dollar is there. The managers have to choose.

Now here in this slide you get the two examples. For example, the differentiation for as an example is the Apple and the low cost leadership and that is Walmart. Every organization on the basis of their SWOT analysis whatever is their SWOT analysis is there, on basis of that, they have to decide that where they have which strategy will be more applicable to them. Now here, when we are talking about the differentiation is there. It is an organization's attempts to distinguish its products or services from others in the industry is there.

So, managers may use advertising, distinctive product features, exceptional service or the new technology to achieve a product perceived as a unique is there. This strategy usually targets the customers who are not particularly concerned with the price so it can be quite profitable is there. So, here the your segment is different because as soon as you make yourself different then you will approach and your customer segment that will be also different will be there. So competitive differentiation strategies, price, product or the convenience is there. So successful companies focus primarily on the one area of differentiation that they never sacrifice on that is exceptional companies have a second priority, their balance with the first one is there.

So therefore, in that case that is the every organization that makes the focus price, on the quality of the product, or on the convenience or what we can say the services are there. In the center of these no-fly zone is there, you will find memories of the bankrupt companies they try to give everything away for nothing is there and therefore, you have to also understand certain examples, those which try to make them self differentiation, but then, they have not become successful and therefore, they have become bankrupt. So

therefore, the no-fly zone that is also we have to understand that is this type of the strategies are not to be taken. So precautions are to be taken while designing the strategies that is the we want to be differentiate, we want to be the having the USP, but it does not lead to the losses, it does not lead to the organization into the bankruptcy. So we have to be very careful.

Now, a differentiation strategies can reduce the rivalry with the competitors and the fight off the threat of the substitute products because customers are loyal to the company's brand is there. Managers must remember that the successful differentiation strategies require a number of costly activities such as product research, in your budget how much the research budget you are having, that you have to decide and then, accordingly, you have to design your organization and the extensive advertising is there. So many times, it has been seen that a lot of money has been spent on the advertising and later on the organization has entered into the no-flying zone. So companies that pursue a differentiation strategy need strong marketing abilities and the creative employees who are given the time and resources to seek the innovations are there. And therefore, in that case what will be your differentiation strategies that you have to decide and here your manpower, your managers they are very important because that is the creative employees are required.

How you will be different, how your product will be different into the market, what will be your customer segments, and to decide this strategy your employees are required to be highly creative because the designing of strategy that will be depending on that particular aspect of the strong marketing who are given the time and resources to seek innovations are there and then in that case that is the differentiation will be there. And the low cost leadership, the low cost leadership strategy tries to increase market share by keeping costs low compared to the competitors are there. So therefore, in that case in the cost leadership when you decide like the Walmart is there that is a low cost strategy will be there, so increase the market share with a low cost leadership strategy the organizations aggressively seeks the efficient facilities. They pursue the cost reductions and uses the tight controls to produce the products or services more efficiently than its competitors. The low cost leadership strategy is concerned primarily with the stability rather than taking the risk or the seeking the new opportunities for the innovation and growth.

A low cost position means a company can achieve higher profits than competitors because of its efficiency and the lower operating costs are there and therefore, in that case the organization should focus on low cost positions because they want to achieve the higher profits right. And your competitors because of its efficiency and lower operating costs then definitely they will be losing the battle is there. So, Porter's competitor strategies when a low cost strategy works best and then it is the price

competition among the rival sellers is vigorous and identical products are available from the many sellers are there, and there are the few ways to differentiate the industry products are there. So, here low cost strategies is the best strategies when there are the number of competitors are there and they are having these identical products, there are few ways to differentiate industry products are there. Most buyers use the product in the same ways while the buyers incur the low cost in the switching among the sellers are there.

So, majority of the industry sales are made to a few, large volume buyers and new entrants can use introductory low price to attract the buyers and build a customer basis there. Now, as we talk about there is this competitive scope can be broad or narrow and therefore, in that case it will be the low cost leadership example will be the Ryanair and the differentiation is their uniqueness is, Apple. While the competitive scope is narrow then here we focus the low cost and focus differentiation and example is a Puma is there. Example of the few companies following the different strategies are there.

Broad cost leadership is there. So, Air Asia, MYDIN, KFC, McDonald, Subway, Al-Ikhsan, Coca Cola. So, these are the companies which are making their strategies on the broad cost leadership is there. While the focus cost leadership is there then the Maxis, Google, Giant, Tesco, Kamdar, Avon and therefore, they are focused on the this particular cost leadership is there. When broad differentiation is there, and therefore, that is Bonia, Nike, Toyota, Perodua and the Porton is there. While in the focus differentiation is there then, the Porsche, Rolls Royce, Bugatti Veyron and the Lamborghini is there and therefore, these are the few companies they are making these focus differentiation is there.

Now, which one is to be adopted whether we have to go by the broad cost leadership, focus cost leadership, broad differentiation or the focus differentiation is there and that will be decided on the your resources. What are the manpower you are having, what type of the technology you are having, what type of the financial conditions, money you are having, what type of the methods you are using for your product services are there and what is the time is there that is a timely or the minutes are very important when you there is all 6 resources, man, machine, material, money, method, minutes, all 6 resources of any particular organization that is to be studied. So, what is to be done and then it is to be decided that is what type of the leadership they are going to adopt. Now, when we are talking the miles and snow strategy typology, so is based on the idea that managers seek to the formulate strategies that will be congruent with the external environment and organizations strive for a fit among the internal organization characteristics, strategies, and the external environment is there. This fitment is very necessary, as I was mentioning about the internal resources, internal organizational characteristics and the

external environment and that match is very much important.

The four strategies that can be developed are the prospector and the defender, the analyzer and the reactor is there. So, low exploitation is there and then in that case, we will go for that is a reactor is there, while in the case of the high exploitation the defender and the analyzer is there. So, organizational strategies structure and processes and that will be decided by the high and low exploration and the high exploration is there, when the low exploration then therefore, definitely in that case you will decide the reactor strategy is will be the right strategy is there. Now, we will take these strategies typology that is how they are working. The prospector strategy is to innovate, take risk, seek out the new opportunities is there.

So, naturally in that case, nowadays we are talking about the startups, we are talking about the entrepreneurship and therefore, in that case it is the innovation is there. So, innovation is there, they are entering into the market, they are taking the risk and seek out the new opportunities are there. And therefore, in that case, these are the strategy suited to a dynamic growing environment, where creativity is more important than efficiency is there, this point is to be noted. And therefore, in that case, whenever we are talking about the business environment, external environment is there, then the your internal resources. So, external environment is what growing environment is here.

So, your interest is what is required, creative more creative and are required as compared to the efficiency is there. Nike which innovates in both products and the internal processes, exemplifies the prospector strategy. For example, the company has introduced a new line of the shoes based on the designs that can be produced using the recycled materials and the limited amounts of the toxic, very different especially in the case of the toxic chemical based grooves are there and therefore, this becomes the best example as a prospector is there. Another is strategy that is a defender strategy is there, when it will be applicable, the defender strategy is almost the opposite of the prospector. So, rather than taking the risk and seeking out the new opportunities, the defender strategy is concerned with the stability or even the retrenchment is there.

So, this strategy seeks to hold on to current customers, but it neither innovates nor seeks to grow. So, therefore, the defender is concerned primarily with the internal efficiency and control to produce the reliable, high quality, and the products for the steady customers are there. So, example is Paramount Pictures that has been using a defender strategy for several years. Paramount turns out to a steady stream of the reliable hits, but the few blockbusters. The manager shun risk and sometimes they turn down the potentially high profile films to keep a lead on the cost is there.

So, this has enabled the company to remain the highly profitable while other studios have low returns or actually they have lose the money. Third strategy which is that analyzer is , the analyzer tries to maintain a stable business while innovating on the periphery is there. It seems to lie midway between the prospector and the defender. Some products will be targeted at a stable environments in which an efficiency strategy is designed to keep the current customers is used and the analyzer attempts a balance about the efficient production for the current products or the service lines with the creative development of the new product lines are there.

For example, amazon.com. Amazon.com provides the company's current strategy is to defend its core business of selling books and other physical goods over the internet, but also to build a business in digital media, including initiatives such as the digital book service, or the online movie rental business, and the digital music store to compete with the Apple's iTunes are there. Therefore, in that case, we will find that is the they will be classified into the analyzer strategies are there. Then last strategy is about the reactor is there. So, reactor is the is not really a strategy at all. Rather than reactor respond to the environmental threats and opportunities in an ad hoc environment for the temporary fashion.

Therefore, with a reactor strategy top management has not defined a long range plan or given to the organization an explicit mission or goal. So, the organization takes whatever actions seems to meet immediate needs. So, although the reactor strategy can sometimes be successful also, it is a short term and it is totally depending on the environment is there. It has been widely used, and researchers have tested its validity in a variety of organizations, including the hospitals, colleges, banking institutions, industrial product companies and the life insurance firms. In general, researchers have found strong support for the effectiveness of this topology for organization managers in the real world situations are there.

How strategy affect the organization design? So, choice of strategy affects the internal organization characteristics and organization design characteristics needs to support the firm's competitive approaches. For example, a company wanting to grow and invent new products looks and the feels different from a company that is focused on the maintaining the market share for long establishment products in a stable industry is there. With a low cost leadership strategy, managers take a primary mechanistic, efficiency approach to an organization design, where a differentiation strategy calls for a more organic learning approach is there. I hope you remember that is we have talked about the mechanistic design and the organic designs we have talked in our previous session. A low cost leadership strategy (efficiency) is associated with the strong centralized authority and the tight control, standard operating procedures and the emphasis on efficient procurement



and the distribution systems are there.

Now, a differentiation strategy on the other hand requires that employees be constantly experimenting and learning the learning and structure is fluid and flexible with strong horizontal coordination. Empowered employees work directly with the customers and are reward for the creativity and risk taking. The organization values the research, creativity and innovativeness over the efficiency and the standard procedures are there. The prospector strategy requires characteristics similar to a differentiation strategy and the defender strategy takes an efficiency approach similar to low cost leadership because the analyzer strategy attempts to blame the efficiency for the stable product lines with the flexibility and the learning for new products it is associated with a mix of the characteristics are there. So, what will be the outcome will be there? So, organization designs learning orientation acts in a flexible, and loosely knit way with the strong horizontal coordination.

Strong capability in research is required, values build and mechanistic for the customer intimacy and rewards implies creativity, risk taking and innovation. The organization design efficiency orientation is there, strong central authority, standard operating procedures, highly efficient procurement is there and the distribution systems are there. When Miles and Snow's strategies typologies they are making these prospective organizations design and learning orientation flexible, fluid, decentralized structure is there and the strong capability in research. In the organizations design efficiencies are in the case of the strategy is defender, the centralized authority tight cost control is there and in the case of the analyzer, organizational design balances the efficiency and the learning is there. Tight cost control with the flexibility and adaptability, efficient production for the stable product lines, emphasis on creativity, research, risk taking for the innovations are there.

The reactors are no clear organization approach, in design characteristics may shift abruptly depending on the current needs are there and accordingly the organization design outcome of the strategies will be there for the different types of the strategies are there. Now this is the contingency factors affecting the organization designs are there. So, strategy, environment, technology, size/life cycle, culture, organization structure and design, the right mix of the design characteristics is the contingency factor is there. So, you have to see whether it is having the strategy, environment, technology, life cycle or the culture is there and accordingly you have to decide about that is how strategies affect the organization designs are there.

It is a factor affecting the organization design. Ultimately, however organization design has a result of the numerous contingencies. The emphasis given to the efficiency and

control versus learning and the flexibility is the that is the mechanistic approach is there where the efficiency and control is there while the learning and flexibility is there that is the organic approach is there and by the contingency of strategic environment and size and life cycle. So therefore, the organization is designed to fit the contingency factors are there, contingency, situational factor. So, those situational factors are there and then you have to take care that is what is your life cycle of the organization, what is the technology, what is the culture of the organization is there and accordingly develop a fit model and that fit model will be based on these contingency factors. In a stable environment, for example, the organization can have a traditional mechanistic structure that emphasize on the vertical control, efficiency, specialization and the standard procedures.

And centralized decision making, however, a rapidly changing environment may call for a more flexible organic structure with the strong horizontal coordination and collaboration through teams or the other mechanism is there. In terms of the size and life cycle are concerned, the small organizations are generally informal and have little division of level. So new rules and regulation and ad hoc budgeting and performance systems are there. Large organizations such as the Coca Cola, Sony, General Electric on the other hand have an extensive division of labor and numerous rules and regulations and the standard procedures and systems for budgeting, control, reward and innovation is there.

Design must also fit the workflow technology of the organization. For example, with the mass production technology such as the traditional automobile assembly line, the organization functions best by the emphasizing the efficiency, formalization, specialization, centralized design making in the tight control is there. A final contingency that affects the organization design is a corporate culture. An organization culture that values team work, collaboration, creativity and the open communication, for example, would not function with a well with a tight, vertical structure and the strict rules and regulations are there. One responsibility of the manager is to design the organization that fit the contingency factors of the strategy, environment, size and life cycle of the organization, typology and culture of the organization. Finding the right fit leads to the organizational effectiveness, whereas it is a forfeit can lead to a decline or even the demise of the organization is there.

This is a research paper and that is the linkages between these business strategies, culture and compensation using the Miles and Snow's and the Hofstede culture framework in the conglomerate firms are there. I am sure this research paper which is having the purpose to investigate the linkages among the different employee benefits, business strategies and organizational cultures and this will be having in the

conglomerate industry that will be helpful for you. And the findings of this particular paper that is reported that the social class benefits and the long term benefits are the high in defenders as the compared to the prospectors and the innovators. Whereas, group incentive schemes are the lower in the defender and the power distance and uncertainty avoidance are higher in the defender as a compared to prospects and the innovator is there. These are the implications which have been mentioned in this particular paper.

This is the book which is recommended is written by this Richard Rumelt and the good strategy and the bad strategy. I am sure that this will help you to study more about the strategy and formulation of the strategies are there. The abstract of the book is given here and these are the references which you can refer for your further studies. Thank you. Thank you.