

Strategy to Organization Design & Structure

Anubha Dadhich (PhD/IIT D)

Corporate Strategy



OVERALL PLAN
FOR A
DIVERSIFIED
COMPANY



DIVERSIFIED
COMPANY HAS
TWO LEVELS OF
STRATEGY



BUSINESS UNIT
(OR
COMPETITIVE)



CORPORATE
STRATEGY



BUILDS ON
MULTIPLE
PREMISES

Are facts of life without
diversification

Cannot be altered

And when ignored, have
partially responsible in
failure of corporate
strategy.

Premise of Corporate Strategy

Business Unit Level

Competition occurs at business unit level

Diversified companies do not compete,
only their business units do

Successful corporate strategy must grow
out of and reinforce competitive strategy

Add cost and constraints



Diversification inevitably add cost and constraints to business units



BU must explain its decision to top management

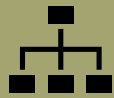


Spend time complying with planning and other corporate system



Cost and constraints can be reduced but not eliminated

Shareholders readily Diversify themselves



Shareholders can diversify their own portfolio by selecting their own stocks that best match their own preferences and risk profiles.



Shareholders can often diversify more cheaply than a corporation.



Corporate strategy cannot succeed unless it truly adds value to business units by providing tangible benefits.

How to formulate corporate strategy ??

Conditions under which it is formed

1. Attractiveness test: Structurally attractive or capable of being attractive
2. The Cost-of-entry test: must not capitalize the future profits
3. Better-off test: New unit must gain competitive advantage from its link with the corporation or vice versa



Four Concepts

Communication



Leaders need good communication particularly in times of weakened trust, uncertainty and economic crisis.



Leaders communicate to share the vision with others



To inspire and motivate employees to strive towards the vision



Build the value and trust that enable effective work relationships and goal accomplishments

Examples

◆ Johnson & Johnson: Leadership Communication

◆ CEO Weldon emphasis on open and honest communication.

◆ E.g., How could this have happened ?

◆ Could it have happened in your area ?

◆ What do you do to ensure it doesn't ?

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◆ Intel have skip-level meetings

◆ Campbell Soup company: CEO has lunch every six weeks with dzns of employees across the company