

ASPECTS REGARDING THE IMPROVEMENT OF STRATEGIES AND ORGANIZATIONAL STRUCTURES OF COMPANIES IN CONTEMPORARY ECONOMIES

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ABSTRACT: The need to reorganize the classic structure of contemporary companies is generated by the occurrence and manifestation of cross-correlated trends and phenomena such as: markets globalization; accelerate internalization of economies; profound technical and technological changes, the informational "explosion", the diversification of demand together with the "personalization" of commodities and so on. Thus, the emergence of innovative approaches regarding strategies and organization is very appropriate knowing that contemporary business organizations will achieve multiple goals (i.e. economic, social, moral, technological and ecologic objectives) and that technologies hard to imagine nowadays can become familiar in the future.

АСПЕКТИ ОТНОСНО ПОДОБРЯВАНЕ НА СТРАТЕГИИТЕ И ОРГАНИЗАЦИОННИТЕ СТРУКТУРИ НА ФИРМИТЕ В СЪВРЕМЕННАТА ИКОНОМИКА

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РЕЗЮМЕ: Необходимостта от реструктуриране на съвременните фирми и предприятия е продиктувано преди всичко от фактори като: глобализация на пазара, ускоряване процесите на глобализация в икономиките, техническите и технологични промени, информационния бум, многообразие в търсенето и предлагането, както и персонализация на стоките за широко потребление и т.н. Затова и появата на иновационните достижения относно стратегическите и организационни промени са много подходящ подход, така че съвременните фирми достигат разнообразни цели като: икономически, социален, морален, технологичен и екологичен ефект, а трудните технологии днес могат да се превърнат в познати утре.

Dynamic and unpredictable, the contemporary strategic environment has changed a lot during the last decades, so that continuous changes and the complex characteristic are now the background against which companies develop. This situation is the result of the often cross-correlated new phenomena and tendencies, which are considered challenges even by companies that are 3-millennium old. Here are some of the following phenomena and tendencies: the tendency of market globalization; the globalization and internationalization of economies which leads to an interconnected economy in a world "without frontiers"; important technical and technological changes; information blast; the intensification of international competition, as well as the shifting of emphasis from price to quality and technical level; the diversification of demand, doubled by the "personalization of consumption"; the limited character of resources and exigencies regarding environment protection and ensuring the ecologic equilibrium; the cost and high mobility of capitals, etc. The changes mentioned above, together with other tendencies, are not only trouble makers but they also have the ability to open new doors for companies and managers who prove to be creative and flexible in conceiving strategies.

Under the circumstances, *the improvement of global strategies* becomes a necessity, especially for international companies; in this context, this process represents *a refinement of present and future strategies*, subject to the necessity to diminish the uncertainty and to capitalize the

changes; this process has the role to indicate *the evolution trajectory towards multiple accomplishments of contemporary businesses* (this does not imply only the traditional economic dimension, but also the social one, the moral, technological or the ecological ones). The emergence of innovative approaches regarding strategies and organization is more plausible knowing that technologies hard to imagine nowadays can become familiar in the future, and the demographic structure of labour power is already experiencing spectacular changes.

Global communications, information networks, laptops and other technological innovations allow people from different corners of the Earth to interact. It is highly probable that in the future, a mere access code to the computer network of an international company would be the only clue to its status. Allowing for these realities, management specialists unanimously admit that organizational structures of the future companies will have very different configurations compared to the present ones.

Efforts to conceive the innovative organizational structures have as reference point *the classic frame of reports between corporation strategies and organization structures*. The American specialist Alfred D. Chandler was the first to analyze this in his paper "Strategies and Structures". Based upon the study of the structural development of 70 great American companies (among which we must mention the names of some notorious international companies like General Motors, Du Pont, Sears or Standard Oil), Chandler postulated the unique

sense of the relation between strategy and structure: “*structure follows strategy*”, that is to say that strategy changes are the ones that shape the organizational structure. The experience of the studied companies demonstrates that their structure followed, in the long run, the coordinates imposed by the development strategy that was chosen. This process has the following steps: *originating a new strategy; the occurrence of administrative problems; economic revitalization of the company*. During the same period, there were also authors who disagreed with the idea of determining the structural configuration only through the chosen strategy; they gave examples of situations in which the relation between strategy and structure was quite the opposite.

In 1980s, the two approaches reached an agreement: the researches performed determined a mutual influence between the strategy of a company and its structural organization; they were both integrated in the company's managerial system. However, there are several axioms which were validated by the management of the big companies, for example the quick forming of the most appropriate “*structure*” based on the chosen strategy has substantial competitive advantages; some strategies had been allotted specific structural “*recipes*” (for example, market differentiation is associated with divisional organization structures).

The strategies of the third millennium in correlation with the immediate structural development call into requisition the original concept of *development as a series of waves of change*, revealed by Alvin Toffler in his well-known paper “*The Third Wave*”.

In his book, Toffler describes three types of societies, based on the concept of ‘waves’ - each wave pushes the older societies and cultures aside.

- **The First Wave** is the society after *agrarian revolution* which replaced the first hunter-gatherer cultures thus ensuring the material and spiritual conditions for the development towards a superior level.
- **The Second Wave** is associated with the *industrialization* phenomenon and it still covers an extended area on the Earth. The main components and values of the Second Wave originate from materialism and the supremacy of the individual power; from this also originate competition, self-conservation, consumption, security as a characteristic of financial wealth, etc. A series of problems were brought about by these values: pollution, crime, mass and ecosystem destruction, consumption of natural resources, unbalance between incomes and living standards, etc. This phase of development is synthesized by the following saying: “*we are separated so we must compete*”.
- **The Third Wave** is the *post-industrial* society and is still in competition with ideas from the previous wave. The components of the Third Wave are: preoccupation for equilibrium, cooperation and mutual support. The “*breakdown*” of the Second

Wave value system is reflected by the attention paid to some preoccupations like reducing ecological risks, supplying services for others, creating possibilities for development and professional satisfactions, in the detriment of certain “*conventional variables*” like severe competition or money. The slogan for the Third Wave is “*we are connected so we must cooperate*”.

The metaphor of the “waves” of change was later extended because of the emergence of a **Fourth Wave**; its central axis represents the integration of every life dimensions and responsibilities into a unique system with a common identity. The values of the Fourth Wave are synthesised in the saying: “*we are all in one and we choose to create together*”. These values are: self-confidence, interconnection, global thinking, cooperation as the only way to create a promising future for the entire Planet.

From the contemporary strategic management point of view, the connection to the changes imposed by the Third and the Fourth Wave implies the improvement of the relations between strategies and structure due to flexibility, dynamism and adaptability. At first, managers had to work to improve and renew the organisational elements characteristic for companies that still function according to the Second Wave. The organisational structure characteristic for the Second Wave is *the classic industrial bureaucracy*, formed as a pyramidal system, at the top of which stands a management that controls a chain of permanent and functional departments, often inflexible and incapable of immediate reaction to changes. The values of the Second Wave are “*borrowed*” from the army and they are the following: *survival, auto conservation, eliminating competition, victory* a.s.o. The development strategies for companies from the Second Wave are conceived for a relatively short period of time of 5 – 10 years. This classic form of business organisation led to separation, destructive conflicts, rigidity and inefficiency.

A better and improved alternative for the traditional hierarchical structure is *the matrix organisation* which is based on the principle that generates synergies between permanent functional departments and work teams. This is not necessarily a very efficient structure: it divides the decisional process because of the double subordination of employees; reduced credentials; managers play a double role, they are not very flexible and this brings about important competitive disadvantages. Just like the traditional hierarchical structure, the matrix structure is based on a central management. In fact, regardless of the organisation structure – bureaucratic or matrix structure -, the role of the manager within Second Wave companies is the traditional one, that is to say that he has the role of supervisor and judge according to his knowledge and status, ignoring the fact that the company should be “*teaching school*” for employees from all levels.

Nowadays, the shifting from the matrix structure to the *business unit* organisation is considered a major development, despite the fact that the latter is also associated with the Second Wave. Autonomous groups of businesses, which form the basis for this organisational structure, have several

advantages: autonomy, loyalty, a common unique objective – identifying and satisfying the needs of the market – and flexibility. Companies with a matrix structure reject this decentralised form of organisation because the transition towards this structure implies the “demolition” of pyramidal structures and especially sacrificing the managerial powers. Moreover, the strategy of dividing plans into autonomous groups of businesses, implemented by IBM in the year 1991, is interpreted as an identifier of flexibility and prompt reaction towards this organisation structure.

Putting the Third Wave in perspective, the team work was planned; *team work* is based on cooperation, trust, integrity and equal rights of team members. Managers, elected by team members, are both trainers and “servants” of the team and they represent the interface between that team and other work groups. The advantages of team work are: autonomy, flexibility, democratic character of the decisional process and the ability to solve the problem of diversity through an immediate reaction to market changes. Companies that implement such organisation structures have a tendency to become flat because multiple hierarchical levels are eliminated and the decisional process is handed over to team members. According to this approach, administrative levels, which are very few, focus on supervising activities and ensuring longer periods of time for “*strategic coordinates*” that must be implemented and improved. Although great efforts have been taken by big avant-garde companies – Hughes Aircraft, X.E.L. Communications, Weyerhaeuser, etc. – in order to assimilate this organisational structure, small and medium size companies from America have the tendency to “*revolutionize*” their own administrative systems which lead to the Third Wave.

The Fourth Wave Company will be structured according to a *communitarian organisational model*, which from a spiritual point of view is based on the changes registered in people’s conscience. This organisational structure will be a democratic and a participative one, subject to its objective to serve clients and the community. Future strategies, associated with an extended period of time (which includes generations or better yet, centuries), will be unanimously determined using either predominant intuitive processes and techniques or logic and rational methods familiar to classic management. Because of the total absence of hierarchy within this organisation structure, decisions, principles and the system of values will be agreed upon by community members.

Most of present companies, still blocked in the Second Wave of changes, have a centralized and hierarchic structure which focuses on material values like profit, efficiency and development. The variety of activities performed by these companies is reduced to economic and technological processes, while the “*globalization*” concept is limited to the perception of economic investments in foreign countries. Most big and medium size companies which function in Europe and in the United States are faced with the so-called “*implosion*” phenomenon; this phenomenon represents the gradual clearance of patrimonies, the reduction of the production capacity, of technologies, of research work, of market development programmes and of the number of employees, in favour of achieving the maximum income during a short period of time. The strategic solution in order to avoid the risk of implosion is a severe change in the business philosophy of

companies; this means shifting the attention of companies from production to *serving clients, employees and the community*.

The transition from the Second to the Third Wave implies, according to Toffler, the setting up of adaptable companies; therefore, managers will have to “decentralize” companies, that is to say that they will have to divide them into smaller and various businesses, which are capable to meet the variety of consumers’ requests. Thus, it is considered that if the company with the most efficient production outrivalled competition in the past, nowadays the company which promptly decentralizes itself in order to satisfy each client is “*on top of the wave of change*”.

The message of these changes is obvious as far as organisational structures are concerned, meaning that companies will have to completely revise their organisation structures. Thus, *the adaptable company*, oriented towards global serving of clients, is considered a permanent “frame” which links a set of temporary module units, associated with team values. According to Toffler, “modules” can be formed up either of external independent organisations or of internal semi-autonomous agents; they can be re-organised or even cleared, according to needs, since they go “*with the wind of change*”.

The Fourth Wave will be based on the objectives of contemporary economic activities. The new system of post-economic values will force companies to take interest not only in economic performances, but also in social achievements and in splitting responsibilities so as to ensure the welfare of local, national and global communities. The globalisation concept is extended due to the integration of some problems which go beyond national borders – ecologic destructions, environment pollution, gaps between regional life standards, international terrorism. For the sake of global serving strategies, international companies will direct, for example, their resource availabilities and infrastructure towards re-positioning some spare physical installations in several areas or towards identifying infrastructures and maintenance processes which developing countries will find easy to implement. In such a context, “*clients*” will identify themselves with an entire country or region. The idea, subject to “*global serving*”, is that the production capacity should cover the material needs of the inhabitants of the Planet; a system of values, which equally distributes production, is also necessary.

At this point of development, the adaptable company does not have a single economic objective; it becomes a “*multi-objective*” organisation which is perfectly integrated in the social, moral and physical-ecologic environment, “*a means*” through which humans develop and attend to others. In conclusion, the strategy of the company in the third millennium will gather together a set of characteristics which are different from the present ones: it will be subject to the new type of “*serving*” organisation, generating moral effects; it will transform the company into a “*welfare community*” as the stakeholders’ interests come to an agreement; it will bring forth local action plans considering the new economic concept of globalisation; it will have flexible, democratic organisation systems to guide it through the implementation process; it will integrate and achieve complex objective; it will promote research activities in the advanced technological field, etc.

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