

# STRATEGY AND ORGANISATIONAL STRUCTURE

**Lecture 10: The relation between strategy and  
structure**

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***Target audience: MASTER II students- Strategic Management***

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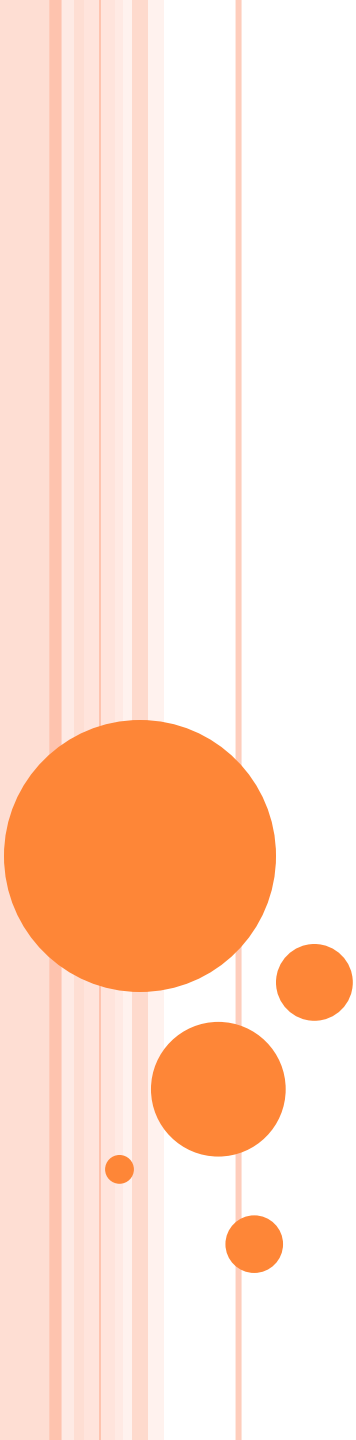
❑ **Structure follows strategy:**

- ❖ **Chandler's (1962) statement “structure follows strategy” implies that every organizational structure is mainly developed based on the strategy of the organization.**
- ❖ **Structure supports strategy, so, if an organization changes its strategy it must change its structure to support the new strategy, and therefore, a successful implementation of an organization strategy will depend on the firm's primary structure.**



❑ **Structure determines strategy:**

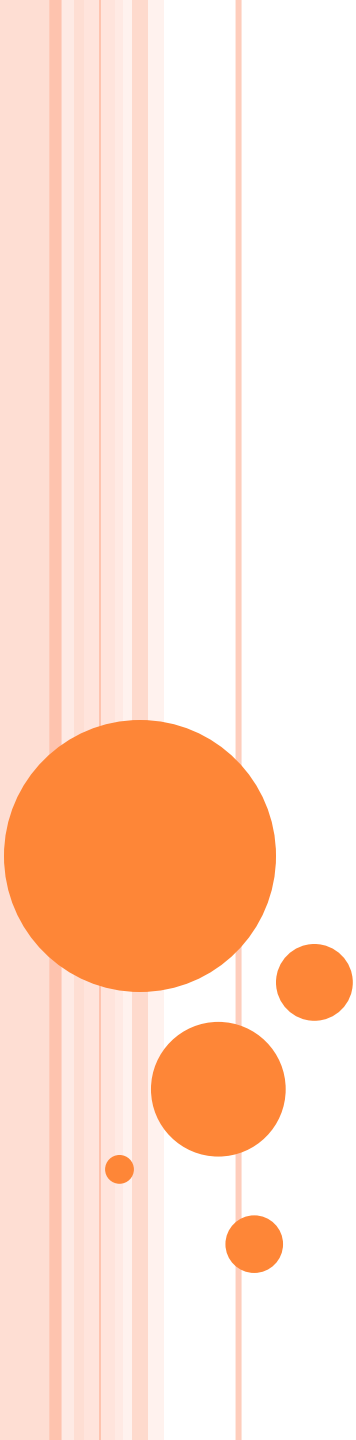
- ❖ **David Hall and Maurice showed that structure precedes strategy because for them the first thing that the firm starts with is creating its organizational structure.**
- ❖ **Then, it selects a suitable strategy which fits the adopted structure.**
- ❖ **Even Chandler stated that strategy follows structure in some cases, and this is shown in his book through the example he gave about the multidivisional structure at General**



**Motors did not come as a response to administrative needs resulting from a strategy of diversifications, rather, its innovators saw it as a new way of administering combination of enterprises.**

**❑ Model of fit and compatibility between strategy and structure:**

- ❖ It is based on the idea that for each strategy there is a suitable structure for it, and this means that the influence is mutual.**
- ❖ And one of the studies that support this is the work of Miller.**



❖ In the context of his search for the possibility of compatibility between various strategy-structure combinations, he identified the following five strategies:

➤ **Differentiation:**

○ It aims to create a product that is perceived as uniquely attractive. It is divided to: differentiation by innovation and by marketing

➤ **Cost leadership:**

○ It is a strategy that strives to produce goods/s more cheaply than competitors.

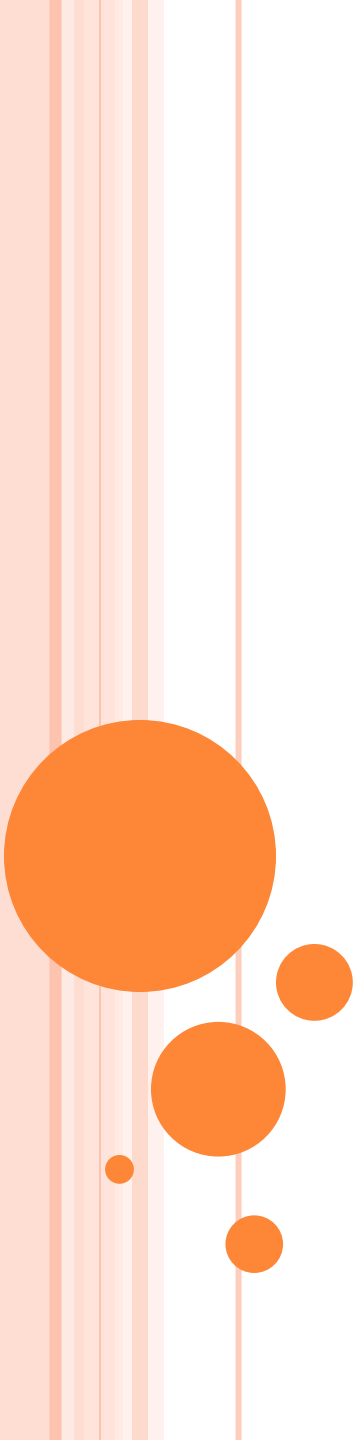


➤ **Focus:**

- This strategy targets a particular market segment where the company is able to serve clients better than others

➤ **Diversification:**

- It is adopted when the firm aims to serve different markets or through offering different products
- ❖ Also, Miller has used four organizational structures which are: simple structure, machine bureaucracy structure, adhocracy structure, divisional structure, and has excluded the professional bureaucratic structure



❖ **And based on these structures and the five strategies, Miller has identified the following combinations:**

- ✓ **(Diversification strategy, Divisional structure)**
- ✓ **(Differentiation by innovation strategy, Adhocracy structure)**
- ✓ **(Cost leadership strategy, The machine bureaucracy structure)**
- ✓ **(Focus and marketing differentiation strategy, simple structure)**