IMPLEMENTING THE STRATEGIC PLAN: STRATEGY– STRUCTURE FIT

An appropriate structure can channel organizational efforts during strategy formulation and implementation.

So Moses' father-in-law said to him, "The thing that you do is not good. Both you and these people who are with you will surely wear yourselves out. For this thing is too much for you; you are not able to perform it by yourself. Listen now to my voice; I will give you counsel, and God will be with you: Stand before God for the people, so that you may bring the difficulties to God. And you shall teach them the statutes and the laws, and show them the way in which they must walk and the work they must do. Moreover you shall select from all the people able men, such as fear God, men of truth, hating covetousness; and place such over them to be rulers of thousands, rulers of hundreds, rulers of fifties, and rulers of tens. And let them judge the people at all times. Then it will be that every great matter they shall bring to you, but every small matter they themselves shall judge. So it will be easier for you, for they will bear the burden with you. If you do this thing, and God so commands you, then you will be able to endure, and all these people will also go to their place in peace. (The Bible: Exodus 18:17-23. *The Bible*, *New King James Version,* Nashville, TN: Thomas Nelson Publishers, 1982).

For the organization to implement its strategic plan, allocate positions and resources effectively. Allocating tasks and responsibilities, as well as any associated resources, is done through the organization's structure.

As seen in the above Biblical passage, an appropriate structure can relieve much of the overload associated with implementation. The strategy and the structure must fit within the parameters to be discussed in this chapter. Initially, when setting up a new organization, its structure is likely to be a function of its strategy. Over time, though, the organization's strategy may be constrained by the previously adopted structure and the bureaucratic inertia that may have emerged since. Another point that must be considered is that a tight fit between strategy and structure is not always optimal. Pockets of a looser fit within the organizational structure may be designed in order to cushion the impact of external environmental jolts upon the organization. A fit between your organization and its external environment that is too tight may lead to a domino effect, for a major external shock can penetrate organizational boundaries without any internal buffering.

Defining Organizational Structure

Structure can be described as the sum total of the ways in which an organization's labor is divided into distinct activities and the coordination to be achieved among them.[1] Actually, structure cannot be seen; one can only see it as represented in an organizational chart. Structure describes the formal reporting relationships among organizational members, including the number of levels in the hierarchy and the span of control (e.g., how many members per chapter president, or how many salespeople per sales supervisor). Structure also characterizes jobs and the pattern among jobs in an organization.[2] It depicts the grouping of individuals into roles (e.g., supervisor vs. salesperson), roles into departments, departments into divisions, and divisions into organizations, and designates the vertical and horizontal linkages among functional departments, customer groups, or even geographical areas.

According to Daft,[3] organizations have multiple structural dimensions, such as:

> Structure is the sum total of the ways in which an organization's labor is divided into distinct activities, and the coordination to be achieved among them.

- Formalization: The amount of written documentation and procedures in the organization.
- Specialization: The degree to which tasks are segmented into eparate jobs.
- Standardization: The extent to which similar work activities are performed in a consistent, uniform manner.
- Hierarchy of authority: Who reports to whom and the span of control.

- Centralization: The hierarchical level that has the authority to make a decision. Centralization also looks at the degree to which authority is concentrated in an organization and where.
- Professionalism: The employees' level of formal education and training.
- Personnel ratios: The allocation of people to various function-sand departments.

A Contingency Approach to Organizational Design

When you start to design your organization's structure, take into account a number of contingency or situational variables. The contingency approach[4] suggests that your organization's structure depends on several variables, including size, the type of technology in place, and the level of turbulence in the external environment and strategy. Specifically:

There is no one best structure for all organizations.

- Size is the organization's scale of activities, as reflected in the number of employees and/or members, total sales, the number of registered members, and so on. The definition of size varies according to the type of industry in which the organization is involved. How large is your mosque? Should you measure it by the square footage of the physical building, the number of Jumu`ah attendees, or the number of people at the Eid prayers? Depending on which criterion you use, you may assess your organization's size quite differently.
- Organizational technology is the nature of the production subsystem, including actions and techniques used to change organizational inputs into outputs. Technology includes not only machinery, but also work procedures, employee training and education, and other elements. According to Perrow,[5] technology can vary from routine (low number of exceptions encountered in the workflow, high number of standard operating procedures for the exceptions encountered) to non-routine (high number of unique situations in the workflow, low number of standard operating procedures for the unique situations encountered). If you own a Muslim business engaged in developing software, you are probably using a non-routine technology. Conversely, if you are operating a sugar refinery, you are likely using standardized, routine technology.
- The environment includes all elements (e.g., competitors, suppliers, customers, and governmental watchdogs) outside the organi-

zation's boundary. The environment can vary from relatively stable to relatively unstable or turbulent. It is important to realize that the environment which you perceive and plan for may not correspond to the objective environment, and that, as a result, the organization's strategies and responses to environmental forces may be flawed. An organization can adapt its structure to increasing environmental uncertainty by shifting from a mechanistic to an organic structure.[6] A mechanistic organization tends to be bureaucratic and centralized, one in which tasks are specialized and rules and the chain of command are emphasized. By contrast, an organic structure is relatively more flexible, has fewer levels in its hierarchy, and is decentralized. Tasks are not set, few rules are used, and little emphasis is placed on the chain of command.

• Goals and strategy. These were defined in earlier chapters. You can seek to control the external environment through various strategies, for example, establishing favorable linkages with important elements, buying a controlling interest in another company or acquiring it outright, or merging with one or more organizations. Organizations use different strategy types. According to Porter,[7] they can either differentiate themselves via a key attribute (e.g., quality, design, innovation, or service) or sell at the lowest possible price (i.e., be a cost leader). Some organizations can follow a best-cost approach by combining a differentiation strategy with a cost-leadership approach. In the car industry, Lexus and Mercedes follow a differentiation strategy, whereas Hyundai and KIA follow a cost-leadership approach. Meanwhile, Toyota and Honda follow a best-cost strategy (excellent quality at a reasonable price). Islamic businesses follow similar strategies; just look at Hajj travel packages (premium, low cost, or best cost). The strategy your organization chooses will determine what structure is appropriate for it.

Types of Organizational Structure

When designing your Islamic organization's structure, whether for-profit or not-for-profit, you should realize that there are different types of structure and that you need to take your situational context into account, including your strategy, before grouping people into roles and

hierarchical levels. In general, your strategy, the type of environment that you face dynamically, the size of your organization, the technology you intend to use (viz., methods and processes, not just mechanical or computerized implements), the culture of your organization (and possibly of your country) determine what structure you will use initially. You need to choose wisely, because once you have settled on a structure it is quite difficult to redesign the organization.

We will discuss several types of organizational structures here, but be aware that there are many more. Ultimately, your strategy and the ensuing performance should be what guide you in designing your organization. The structures outlined by Daft,[7] Bedeian and Zammuto,[8] Duncan[9] Mintzberg,[10] which we will briefly discuss here, are classified as functional, divisional, hybrid, matrix, and dynamic network structures. Other structures exist, such as amoeba-like structures and heterarchies, but they tend to exist in very fluid environments and often across transnational borders. Thus, they do not apply to the majority of Islamic organizations.

Functional Structure

A functional structure (see figure 6) groups people and jobs by functional area. Each functional area (e.g., finance, accounting, and marketing) performs specific activities that contribute to the overall organizational process or value chain. From a contingency perspective, a functional structure is most appropriate when:

A functional structure groups people and jobs by functional area, and focuses on internal efficiencies within each functional area.

- The external environment is relatively stable, with few, slow changes.
- Internal efficiencies within each functional area are emphasized.
- In-depth skill development within functional areas is encouraged This occurs as personnel within each area have the opportunity to work with multiple customer groups, products, or services.
- Functional area goals must take precedence over customer or service goals.
- The organization is small in size, produces few products or services, or works with a limited number of different customer groups (e.g., students and community group members).
- The work is routine, the technology used is well-understood, and there are few exceptional issues or problems.

On the other hand, functional structures have difficulty handling innovative strategies, change-oriented cultures, turbulent environmental forces,

and non-routine technologies. Under these circumstances, decisions that cannot be handled at the lowest level of the chain of command will be referred to the organization's functional managers or even to the president/CEO. Too many such decisions may then overload the hierarchy, causing a dramatic slowdown in operations.

Figure 6
Funcrional Structure
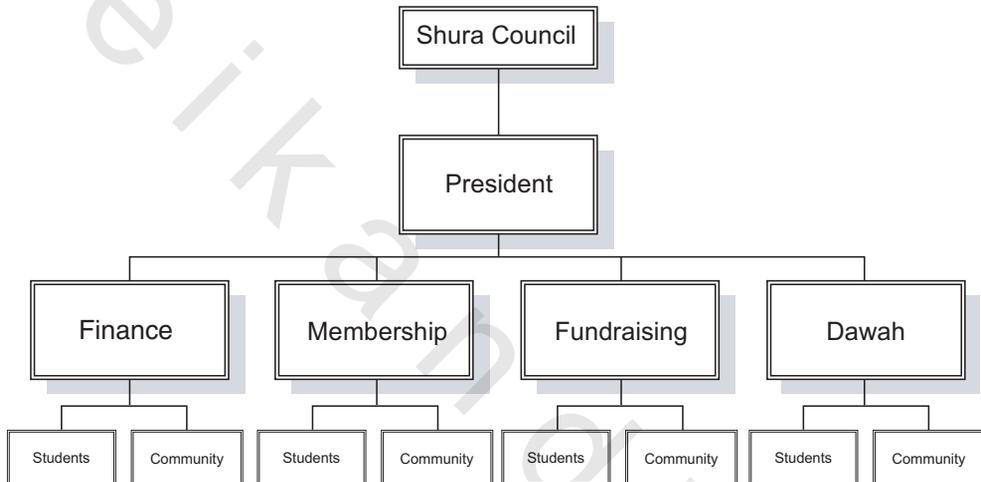
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Divisional Structure

A divisional structure groups departments around products, services, customer groups or even geographical areas, and focuses on external customer responsiveness.

As shown in figure 7, in a product or customer group structure (divisional structure), departments are grouped around organizational products, services, or customer groups. Divisional structures can be quite large, incorporating many products, services, or customers. They also tend to fit the following situational context: environments that are moderate in uncertainty, strategies that focus on customer responsiveness, and technologies that are either routine or non-routine. In general, they allow the Islamic organization to deal smoothly with rapid change because of good coordination across functions. However, since departments are duplicated under each customer or product group, this increase in customer responsiveness comes at a price: decreased efficiencies in functional departments and increased operating costs.

Other advantages of a divisional structure are the following:

- Better coordination will take place among functions located under each customer or product group. However, functional coordina-

tion among customer groups or products may be hampered, since you have to go up the chain of command to the manager of the next customer or product group before being able to communicate with employees in that section. This weakness can be alleviated by establishing gangplanks across customer or product groups, namely, lateral communication channels that bypass the chain of command.

- Each customer or product group is a self-contained division (e.g., the students' or the communities' customer group). Each group's functional areas need to be autonomous, for such self-sufficiency allows each division to adapt to differences in products, regions, and customers. But this may decrease technical expertise, since employees are working on only one group of customers or one product group at a time.

Figure 7
Divisional Structure
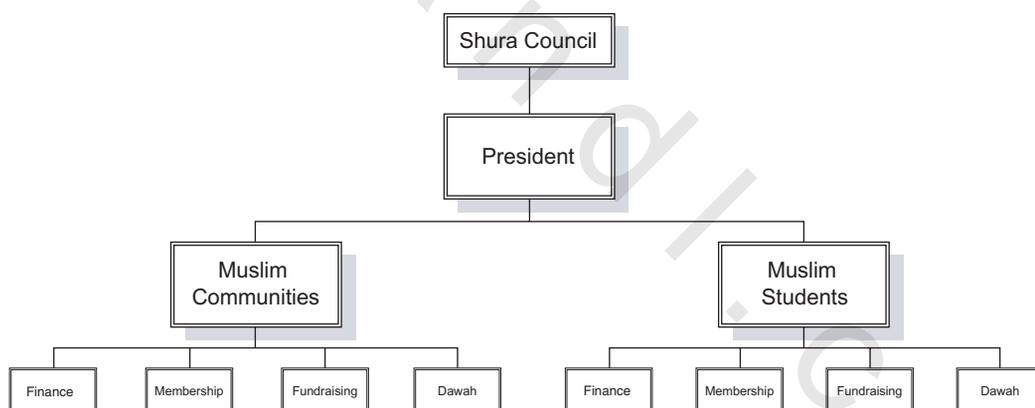
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- Customer satisfaction is enhanced, because each division is responsible for a single customer group or product. Hence, contact points between the customer and the responsible division are unambiguous.

Geographical Structure

Geographical structure (see figure 8) is another type of divisional structure characterized by a grouping together of its functions according to

the geographic area in which they are located. Its advantages and disadvantages are similar to those of the product structure, with the additional advantage of local responsiveness. In other words, the products or services within each geographical area will be customized to fit the needs of that area's customers. This feature is important if the customer needs across geographical regions are not similar. If they were the same globally, a regular divisional structure or product structure may suffice.

Figure 8
Geographical Structure
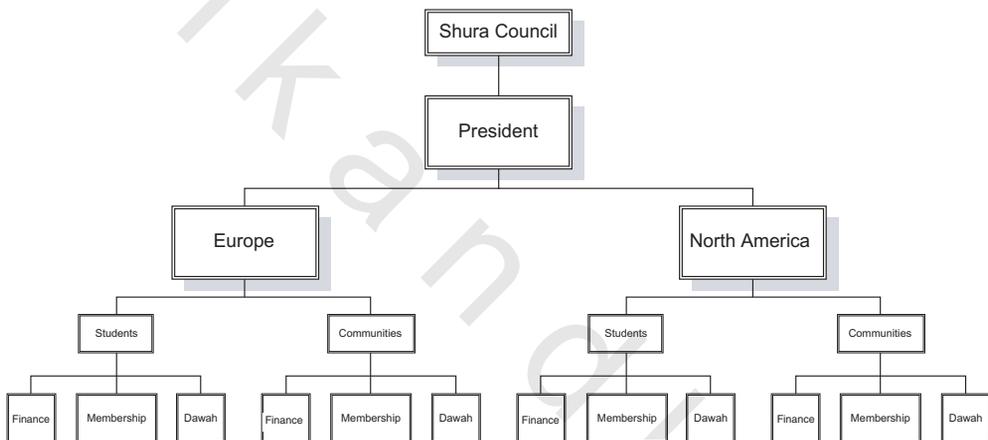
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Hybrid Structure

A hybrid structure attempts to combine other structures in order to achieve efficiencies within its centralized functions and external effectiveness in its decentralized functions.

A hybrid structure (figure 9) contains elements of both a functional and a product organization:

- Some functional departments that are relevant to specific customer groups or products are decentralized and grouped together under each product or service area. The two examples we have used here are marketing and logistics.

- The remainder of the functional departments that provide services to the entire organization are centralized and usually located at the corporate headquarters (figure 9). The departments that we have included as examples are legal, membership, tarbiyyah (education), and finance.

The hybrid structure is a balance between a pure divisional and a pure functional structure that combines the advantages of each, namely,

efficiency within the centralized functions that provide services to the entire organization, as well as customer responsiveness in the functional departments that are unique to each customer group and therefore located in self-contained units. Its strengths and weaknesses are a combination of the advantages and disadvantages of both functional and divisional structures.

Figure 9
Hybrid Structure
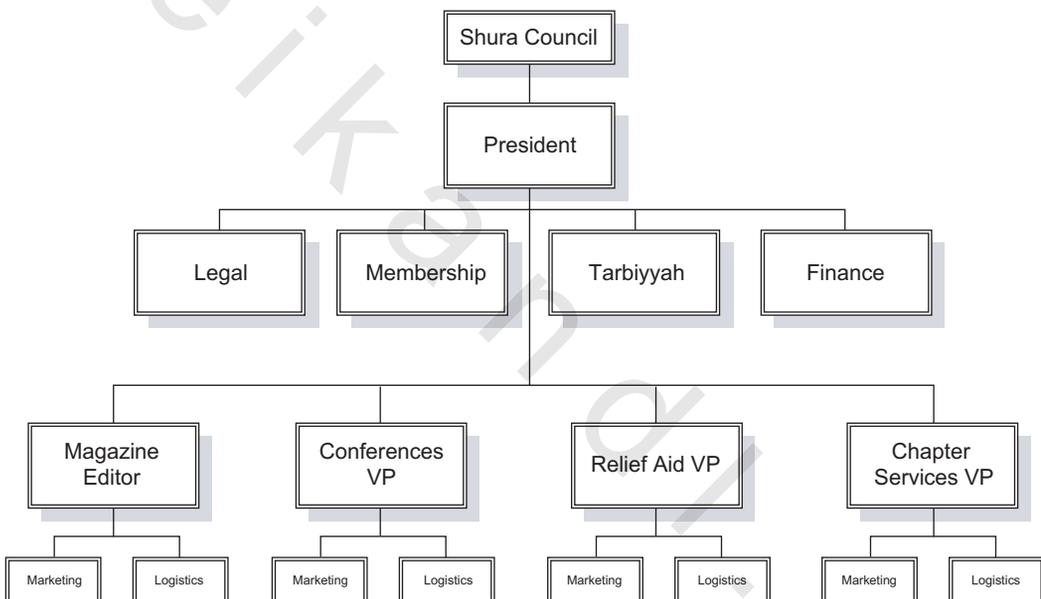
Matrix Structure

A matrix structure combines divisional and functional designs (figure 10) into a matrix team by bringing together personnel and resources across all functional areas and divisions (e.g., customer groups, product groups, or geographical areas) *simultaneously*.[12] This unique organizational design must meet the following three conditions to succeed:

- Flexible allocation of resources across customer groups or products. In figure 10, an employee from the finance sector may be needed in two or more matrix teams (one for students and one for communities), and may serve an equal amount of time in each team. At other times, he/she may spend 100 percent of his/her

A matrix structure is sometimes called 'management by conflict', but works well when both internal efficiencies and external effectiveness are required, and when flexible allocation of resources are critical. It is one of the more challenging structures to implement.

time in matrix team A, and none in B, and later the situation may be reversed. This flexibility of moving resources to where the immediate need is, is a unique strength of a matrix structure. Should there be another group whose needs must be served by the organization (e.g., refugees), a third matrix team C can be set up overnight with human and other resources being moved from each functional area to the new team.

- Environmental pressure is essential for success on two or more critical factors, such as internal efficiency (economies of scale within each function) and external effectiveness (customer responsiveness). If there is less external pressure for customer responsiveness, the matrix will collapse into a functional structure. Conversely, if there is less external pressure for internal efficiency, the matrix will collapse into a divisional structure.

- The environment is fast moving and uncertain, and the core technology (methods and processes) is unique or not yet well understood. Matrix structures, unfortunately, tend to work well in smaller organizations with few customer or product groups.

Figure 10
Matrix Structure
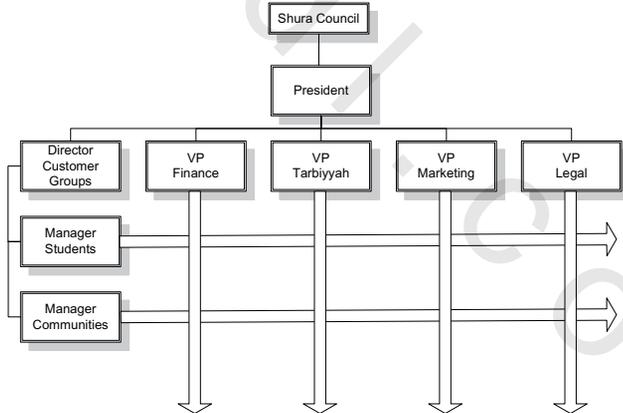
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The matrix relies on three key roles:[13]

- The top leader (president or CEO) must keep a balance of power between the two structures, because people within the matrix teams are answerable to two or more bosses simultaneously.

- The matrix bosses (product or customer group managers and functional area managers) must delineate their responsibilities. They need to step into the reality faced by their counterpart in the organization's other, parallel structure. In other words, a functional area manager (e.g., legal) who typically focuses on being resource-efficient now needs to understand the needs for customer responsiveness that the manager in charge of communities emphasizes on a daily basis.
- The two-boss employees within each matrix team report to two or more people, depending on the number of products or projects on which they are working at the same time. More bosses often means conflicting demands. Each of the two-boss employees is lower in the hierarchy than the managers to whom he/she responds, but acts as a liaison between the two parallel structures. His/her goal is to make his/her bosses (either functional managers or customer group managers) understand the overall need for a joint optimization of two sets of goals that appear to be antithetical (i.e., internal efficiencies and external effectiveness [customer responsiveness]).

The matrix structure has several strengths and weaknesses. For example, it:

- Achieves the degree of coordination necessary to meet dual demands (efficiency from the functional side of the organization and customer responsiveness from the divisional side of the organization). However, having two or more bosses can be frustrating and confusing to employees or volunteers.
- Provides flexible use of human resources across products. Participants need good collegial and interpersonal skills to work together smoothly.
- Is suited to frequent change in dynamic, unstable environments with innovative strategies and changing technologies. However, conflict resolution and matrix team meetings take a great deal of time.
- Provides in-depth skill development for both functional and integrative skills, but will not work unless participants are trained to use it.
- Is best in small to medium-sized organizations with several products or projects.

High-technology companies with non-routine projects in turbulent environ-

ments and with extremely innovative strategies tend to use a matrix structure. Examples include NASA, segments of the U.S. Air Force, or even a specific area of an organization (e.g., a police department's information room).

Dynamic Network Structure

A dynamic network structure may keep costs at a minimum, but it is a minimalist structure since only the hub is permanent and stable.

A dynamic network structure[13] (figure 11), also known as a virtual organization, is a relatively new structural form. It is minimalist in nature, for the hub is the only relatively permanent and stable feature. The hub outsources various functional activities to outside specialists (e.g., product design and advertising).

Figure 11
Dynamic Network Structure
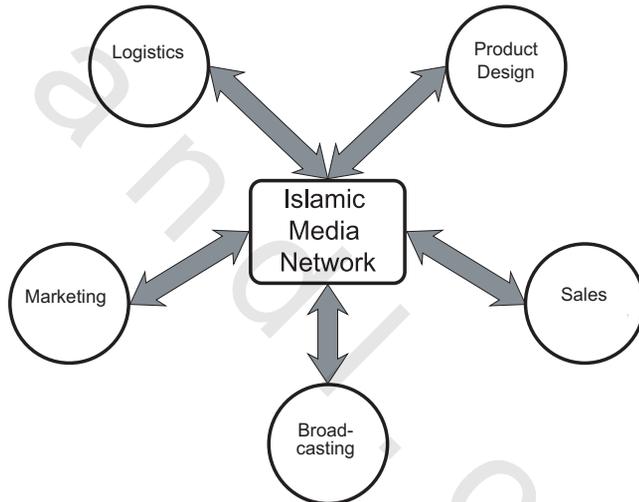
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One of the advantages of a dynamic network structure is that it keeps costs at a minimum, for there are no permanent personnel and their associated wages and entitlements do not need to be incurred by the organization during slow times. In addition, it can outsource activities to those external organizations that can best provide the service, thereby allowing those at the hub to focus on their core competencies and be flexible. A major disadvantage, however, is that the employees of these outside contractors are only temporary and do not belong to the hub. Hence, employee loyalty is non-existent. Another disadvantage is that proprietary technology or information may be compromised, since the dynamic network organization has no control over these employees once they leave the boundaries of the hub.