

The Relationship between Strategy and Organizational Structure of Regional Electric Company in Mazandaran and Golestan

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ABSTRACT

Today, given the dynamic environment that organizations and companies are faced with there is a need for review and analysis of changing issues such as the structure, technology, strategy, culture, and other issues in the organization. Therefore, the aim of this study is to investigate the relationship between strategy and organizational structure of Mazandaran and Golestan Regional Electric Company. This is an applied study in terms of objectives, in terms of method it is descriptive-correlational and is a field research. The statistical population of this study is experts and managers of Mazandaran and Golestan Regional Electricity Company (241 people). To assess the strategy the present study used Miles and Snow's questionnaire, to measure the organizational structure it used Robbins' questionnaire, and finally, to determine the kind of environment it used Kreitner, Hellriegel and Slocum's proposed questionnaires and for the factors determining the environmental stability and instability used opinions of Duncken, Snow & Miles, Lawrence and Lorsch and Robbins. The dominant strategy is reactor strategy. The results of the data showed that there is no relationship between defender strategy and structure with regard to the correlation coefficient ($p=0.11$), and between analyzer strategy and structure ($p=0.01$), and indicated that there is a significant and indirect relationship between reactor strategy and structure regarding the correlation coefficient ($p=0.65$), and between prospector strategy and structure with respect to the correlation coefficient ($p=0.71$).

KEY WORDS: strategy, organizational structure, environment

1. INTRODUCTION

In today's competitive world achieving strategic objectives without organization is impossible. In these highly changing competitive environments, companies must provide plans to ensure that organizational boundaries are more flexible and penetrable. Therefore, in the implementation of a carefully developed strategy, organizational structure has a main priority. As an organization evolves, the need for structure gets more remarkable. In a small institution in which one person manages current operations and also plans the future, the organizational structure is relatively simple. With the increase in the amount of activity of the institution, the need to split up activities, devolution and the integration and coordination of the new organizational parts becomes grows. Diversity of work and size of each organization makes certain structural requirements necessary. But the important thing is communication and coordination of the structure with the strategy. Previous studies on the strategy are based on macro-economic models, that show the organizations have to choose the strategy that is consistent with the conditions that they face, in other words, the external environment, such as market and environmental pressures impose a particular strategy which is essential for achieving organizational success, however this view is criticized by theorists like Chandler [1] and Child [2]. They believe that managers, regarding adopting the kinds of strategies, have various options and even organizations in the same market and industry can implement different strategies to achieve success. And this way of thinking was developed by theorists such as Miles and Snow [3] in two ways. First, success depends on the adoption of a strategy consistent with the organizational environment. Second, adopting a strategy should be done by taking into account the structure and internal processes, in other words coordination between strategy and internal features of the organization seems necessary. Lack of coordination between strategy, structure and organizational processes will lead to poor performance [4]. Since Alfred Chandler [1], put forward the concept of strategy and structure in his famous work called "Strategy and Structure" many researchers began to search for the link between strategy and organizational structure. The researchers proved that coordination between strategy and structure has a significant effect on organizational performance [5]. Therefore there are interactive relationships among business strategy, organizational structure and environment. Due to this interaction the more organizational structure is consistent with the business strategy the implementation of strategy

is done more efficiently. Any organization usually has various ways or methods for their activities and tends to choose the most appropriate of them to conduct the operation.

2-Statement of the problem

Considering that the present research deals with three dimensions including strategy, structure and environment, this section examines each of these dimensions. Then conceptual model and research hypotheses and methodology are explained, and then the data is analyzed.

2.1 Strategy and types of Strategy

Any organization usually has various ways or models for their activities and tends to choose the most appropriate of them to perform the operation. These patterns and practices are called strategic options and managers and planners should analyze and evaluate them and finally choose one of them as the organization's strategy.

Strategy is the basic model for the current and planned objectives, utilization and allocation of resources, and interaction of an organization with markets, competitors and other environmental factors. According to this definition, a strategy must determine three things: (1) what (goals must be achieved), (2) where (which market industries - products should be focused on), and (3) how (to use environmental opportunities and confront environmental threats in order to gain a competitive advantage, which resources should be allocated to each market products and what activities should be done with respect to each of them) (6).

The important point is that organizations in responding to the environment design and implement different strategies. There are different categories in terms of strategy as well. But in general strategies can be categorized in 3 levels. In the first level there is grand strategy. At the second level there is business strategy that has four categories. Snow and Miles in their typology divided grand strategy into four major strategies, namely aggressive or prospector strategy, defender strategy, passive or reactor strategy, and analyzer strategy. Michael Porter's business strategies falls into three types: cost leadership strategy, differentiation strategy and focus strategy. Thus, the four types of Miles and Snow's strategies form part of the conceptual model of the research.

2-2- Organizational structure

One of the most important aspects of any organization is the organizational structure. Perhaps after the organizational objectives, it can be regarded as the main part of the organization. The structure is described as the skeleton and the base for formation of other internal parts and external environment of the organization. Organizational structure is way or manner in which the activities of the organization are organized and coordinated. Organizations create structures to coordinate working activities and to control actions of members of the organization [7]. Mintzberg [8] defines the organizational structure as follows: Totality of ways in which the organization divides the work into specified and separated tasks to achieve coordination among them. This definition suggests two important structural parts: integration and separation. Integration refers to the coordination among tasks and separation includes the division of work into specific and distinct tasks. Complexity, formality and focus are three components which are introduced as the key aspects of organizational structure [9]. In another classification structure is divided into two sets: formal and informal. Formal structure includes the processes and systems created by the management to achieve organizational objectives. They include work that are usually not planned and written which are formed over time. For example, secretaries may get a lot of informal power because they have access to the head; or a person who has enough information on how to use a computer and computer software finds a great informal power within the organization although may not have much formal authority. On-formal structure is shaped by informal groups. These informal groups are shaped based on friendly relations and shared interests. Informal structure helps employees to achieve their social needs and often they can feel confident. In the other categories structure has been divided in terms of practical and theoretical aspects in the following manner. Burns and Stalker theoretically divided organizational structures into two kinds of mechanical and organic. Mechanical structures have more focus, formality and complexity comparing to the organic structures, and based on the practical structure Mintzberg[8] states that each organization has five main sections.

2-3- Environment and types of Environment

Due to changes in environmental factors, companies that work in different industries have been faced with numerous problems. Corporate managers are aware that they are working in a highly competitive environment and a constantly changing industry to operate. Therefore, they are always looking for ways that they can change their environment to adapt to the new situation [10]. In modern theories about organization, the environment of the organization is conceptualized as an entity outside the organization's boundaries. An organizational environment affects it by imposing restrictions and requiring compliance with environment as the price of survival[11]. There are

several categories of different types of environments. One of the well-known categories is dividing it into the general environment and competitive environment. External factors are outside the control of an industry that impact on the organization's strategy. Usually the environment is not able to predict incidents and events of general environment and includes socio-cultural, political-legal, technological and economic factors. The competitive environment are industry related factors that affect strategy that includes the current competitors, potential competitors, substitutes competitors, suppliers and customers [3].

Other environmental division is identifying it as two types: stable environment (static or fixed) and dynamic environment. The stable environment: an environment in which there are few changes in the types of products and services. Little technological innovation takes place. It has a fixed set of competitors, customers and other beneficiaries. Changes in government regulations have been very low, and government policies are relatively stable. Dynamic environment: an environment in which products and services are continually changing; there are many major technological innovation that cause production flow and make obsolete the previous equipment and devices. Competitors, customers and other beneficiaries and actions continually change. Laws and regulations affecting business are changing drastically [9].

3. Conceptual model of the research

Therefore it is required to look at the issue of strategy, organizational structure and environment using an interactive approach. This interactive approach is presented in the chart below which shaped the conceptual model of the present research:

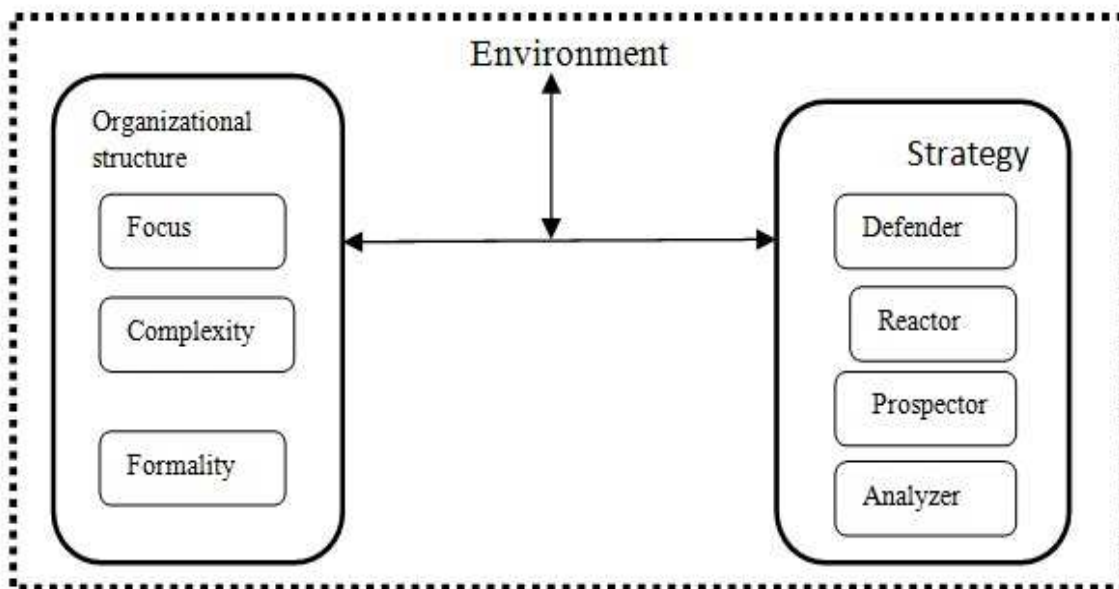


Figure 1: Conceptual model of research (by researcher)

4. Research hypotheses

Based on the problem and the conceptual framework of the research, the research hypotheses are as follows:

1. There is a relationship between defender strategy and organizational structure based on environment.
2. There is a relationship between reactor strategy and organizational structure based on environment.
3. There is a relationship between prospector strategy and organizational structure based on environment.
4. There is a relationship between analyzer strategy and organizational structure based on environment.

5-RESEARCH METHODOLOGY

Correlation method is used to conduct the research. It should be noted that this type of research is basic and applied and due to the theoretical nature of the study it is descriptive. The statistical population of this research is the Regional Electric Company of Mazandaran and Golestan. The statistical unit of the study includes managers and experts of the organization. Sampling is done using probability (random) method and a simple random sampling to select 148 people. Three questionnaires were used to collect data: 1) stable and dynamic environment questionnaire

2) Robbins' organizational structure questionnaire and 3) Miles and Snow's four strategies questionnaire. Environmental and strategies questionnaire contain 12 questions and structural questionnaire contain 14 questions. It is worth noting that this study's questionnaires were all standard; this means that to measure the organizational structure it used Robbins' standard questionnaire [12], and to assess the organization's strategy used Miles and Snow's questionnaire [13] and, finally, to determine the kind of environment used Kreitner proposed questionnaire [14] and Hellriegel and Slocum [15] and factors determining the environmental stability and instability used opinions of Duncken, Snow & Miles, Lawrence and Lorsh and Robbins. The important point is that the measuring tool has the two technical features of validity and reliability. Since the questionnaire used in this study are standards it has a high validity. Moreover, the amount of validity of each of the questionnaires was estimated using Cronbach's alpha method by SPSS16 software; strategy questionnaire 0.719, organizational structure questionnaire 0.685, 0.762 environmental questionnaire, so the questionnaires used have high reliability.

6-Data Analysis

A) The results of the Pearson correlation test

Pearson test was used to test the hypothesis of the study to confirm the correlation between variables (dependent and independent).

Table 1 Results of correlation test

result	Significance level	Correlation coefficient	Control variable	Dependent variable	Independent variable	Hypothesis number
H1rejected	0.13	0/11	environment	Organizational structure	Defender strategy	1
H0rejected	0.000	-0/65	environment	Organizational structure	Reactor strategy	2
H0 rejected	0.000	-0/71	environment	Organizational structure	Prospector strategy	3
H1 rejected	0.81	-0/01	environment	Organizational structure	Analyzer strategy	4

According to Table 1, according to Pearson correlation values (partial) and considering the environment variable as the control variable, it can be said that with 95% of certainty the H0 hypothesis regarding the two hypotheses is rejected. In other words, regarding the environment, there is an indirect significant relationship between (prospector, reactor) strategies and indirect organizational structure.

B) Results of regression testing

On the other hand, in order to evaluate the amount of the relationship among strategy, organizational structure and environment the study used the stepwise regression analysis test.

Table 2 shows the type and degree of relationship.

Linear regression test between strategy and structure						
y-intercept	R ²	R	P-value	T	Beta	F
94.409	.644	.803	0.000	-7.857	-.476	71.137
			0.001	-9.653	-.756	

The information in the above table shows that the analyzer strategy has a linear relationship with structure according to the environment. The linear equation is $Y = 32.516 + 0.089X$, where Y is structure and X analyzer strategy. According to the results of stepwise regression, regression coefficient equals 0.803, which is indicative of a strong relationship between the different types of strategy and organizational structure with respect to the environment. Also, amount of slope of the regression line of prospector strategy is 0.75 which shows that for one unit of change in prospector strategy, organizational structure reduces for 75%. That it has a linear equation of $Y = 94.40 - 0.47X_1 - 0.75X_2$ (Y is organizational structure, X1 reactor strategy and X2 prospector strategy).

7- DISCUSSION AND CONCLUSION

As mentioned in different parts of the research, the present study sought to examine the relationship between strategy and organizational structure of Regional Electricity Company of Mazandaran and Golestan. Based on the inferential analysis of data in the first hypothesis test there is no relationship between defender strategy and organizational structure regarding the environment. In testing the second hypothesis there is a relationship between

reactor strategy and structure according to the environment. This means that in order to increase the compatibility of the organization's services it has relationship with customer demand, rapid response to environmental changes, creating a positive view of the organization to customers, increased sales of services of the company, according to the structure by reducing the organizational hierarchy, reducing the written laws and regulations, involving employees in the organization's decision-making, and according to an increase in research funding, continuous changing of customer tastes, taking into account entry of new rivals to the market and providing innovation in the organization. Based on the inferential analysis of the data in testing the third hypothesis "there is a relationship between prospector strategy and structure according to the environment." This means that in order to differentiate services of the organization from the competitors, creating more demand for the products of the organization in the future, increasing the speed of services, increasing innovation and creating dramatic changes in the organization industry with respect to the structure there is relationship with reducing the organizational hierarchy, reducing the written laws and regulations, allowing employees to participate in decision-making of the organization and with an increase in research funding, continuous changing of customer tastes, taking into account entry of new rivals to the market and providing innovation in the organization. In testing the fourth hypothesis "there was no relationship between analyzer strategy and structure, considering the environment".

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