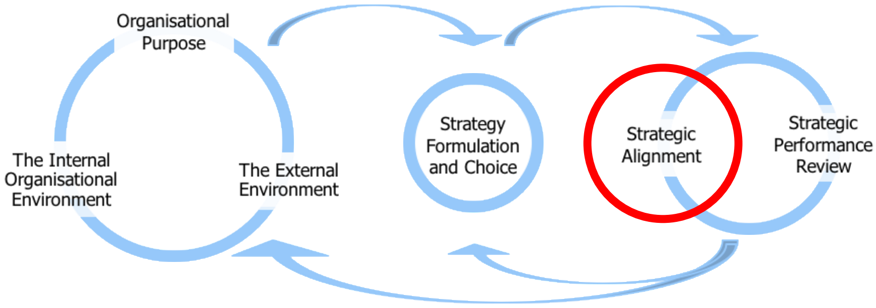
Strategic Alignment: Organisational Design

By James Redmond, BBS, MBS, ACMA: Examiner - Professional 2 Strategy & Leadership

Introduction

The strategic management process may be deconstructed into a number of steps. Although these steps should not be seen as discrete, but rather a useful means of analysing what is an integrated process. The diagram below identifies the main stages of the strategic management process. As illustrated in the diagram, one of the key steps in the strategic management process is strategic alignment. This describes the actions and decisions taken by an organisation's senior management to actually implement the strategic plans that have been developed. Strategic alignment is the most difficult and time-consuming stage in the strategic management process. It involves trying to ensure that the disparate elements of an organisation are effectively integrated to work towards the achievement of the organisation's strategy. When the various elements fit together, they can form a self-reinforcing circle of superior performance. Chandler (1962) famously coined the phrase, 'Structure follows strategy'. This is now a core principle of management and organisation design, and emphasises the need for an organisation to develop a structure that reflects its organisational strategy and facilitates the strategy's implementation.

The Strategic Management Process



Organisational Design

Hitt *et al*, (2019) describe organisational design as the process of assessing an organisation's strategy and environmental demands and then determining the appropriate organisational structures. There are several important issues that must be considered as part of the 'construction' of an organisation's design. The nature and relative importance of these issues may change over time, for example, as the organisation becomes larger or more international. Constructing an effective organisation design is very complex and requires balancing and integrating several organisational elements. According to Peter Drucker (1989), 'Good organisation structure does not by itself produce good performance. But a poor organisation structure makes good performance impossible…'

Organisational design addresses several important questions:

- Who is in charge of what activities?

- Who reports to whom?
- What activities are grouped together?
- How are activities coordinated?
- Where are key decisions taken?
- What are the mechanisms that bind the firm as a coherent whole?

This article will initially outline some of the core principles in organisational design. The article will then discuss three key elements of an organisation's design that seek to address the questions above:

1. Organisational structure
2. Locus of decision-making
3. Organisational integration

Core Principles of Organisational Design

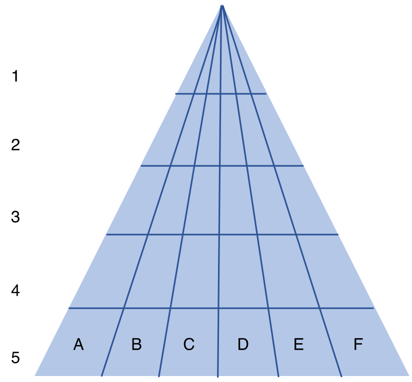
In addition to the key elements of an organisation's design identified, organisations also need to initially consider some fundamental design issues:

1. The level and nature of organisational differentiation and integration.
2. The nature of organisational formalisation, including the lines of authority and span of management.

Differentiation and Integration

Hitt *et al* (2019) describe differentiation as the 'the extent to which tasks are divided into subtasks and performed by individuals with specialised skills.' In effect, differentiation refers to how an organisation is broken down into different levels, units, departments and groups to facilitate its work. Differentiation involves deconstructing the organisation into smaller, more manageable units. Hitt *et al* continue, distinguishing task differentiation, differentiation by what employees do, with cognitive differentiation, the extent to which people in different units within an organisation think about things differently. All organisations perform a wide variety of tasks. Differentiation facilitates the development of work specialisation, also referred to as the division of labour. This allows people and departments to focus on a limited task or activity. A fundamental organisational principle is that work can be performed more efficiently if employees specialise on specific activities and tasks. Differentiation may be vertical, referring to the number of levels in an organisation, or horizontal, referring to the number of departments and units in an organisation.

Differentiation

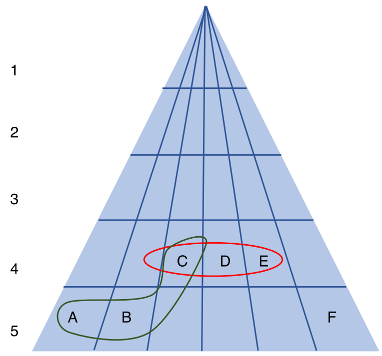


This organisation has been broken down **vertically** into five levels (1-5), starting with senior management, and continuing down to front-line staff. At the same time, the organisation is broken down **horizontally** into six (A-F) departments, or units. In general, each person at an organisational level has similar amounts of authority and responsibility, while each person within a department focusses on a similar task or activity: marketing, logistics, etc.

A consequence of the nature of organisational differentiation is the need for organisational integration, which Hitt *et al* (2019) describe as the extent to which various parts of an organisation cooperate and interact with each other. In the absence of mechanisms to integrate, or coordinate, the departments and units in the organisation would be isolated and could not effectively work with other departments and groups. There are potentially many integrating mechanisms and activities, and these will be discussed later in the article.

Integration

This organisation wants to ensure close cooperation between departments A, B and C for one issue. The organisation also wants to ensure that departments C, D and E work closely together on a different issue. The organisation will use a variety of mechanisms to achieve this level of cooperation; for example, teams, information systems, incentive schemes.

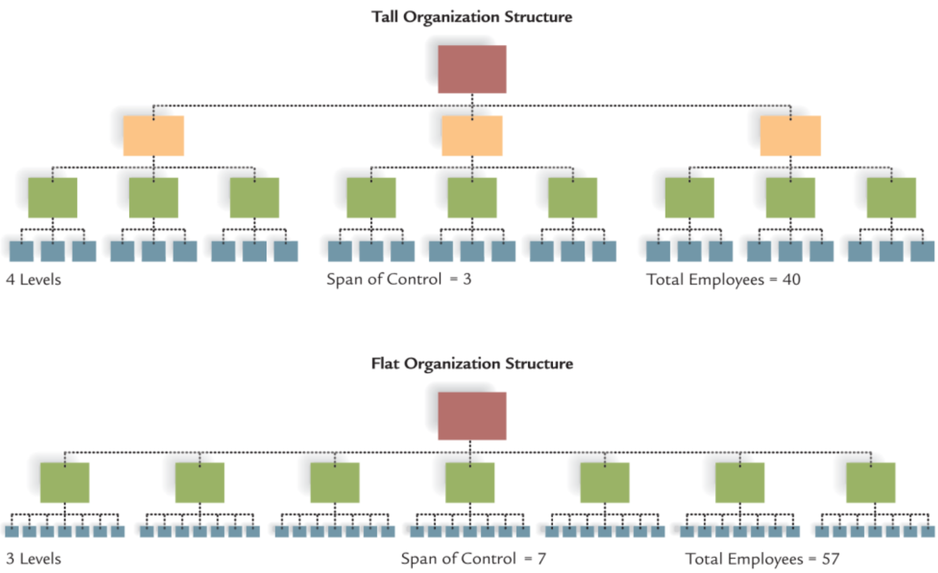


Formalisation

Formalisation refers to the defined structures and systems related to decision making, communication, and control in the organisation. According to Hitt *et al*, formalisation seeks to arrive at an effective balance between the level of organisational differentiation and integration. They state that formalisation 'defines where and how people and activities are independent along with how they are integrated'. Elements of the formalisation of an organisation include:

1. The line of authority, which identifies lines of reporting and who reports to whom.
2. The span of management, which describes the number of employees reporting to a supervisor. This is also referred to as the span of control.
3. The span of control influences the 'height of an organisation'. A tall organisational structure has a narrow span of control and more hierarchical levels. Conversely, a flat structure has a wide span of control, has fewer hierarchical levels, and is horizontally dispersed. A wider span of control enables a manager to more closely oversee and control their subordinates. A narrower span of control allows staff more autonomy and reduces bureaucratic costs. The diagram below illustrates tall and flat organisations.

From Hitt *et al* (2019)



Organisational Structures

There are a number of common organisational structures that organisations may use as a starting point for organising their resources and activities. In a sense, these structures are templates that organisations will then adapt to their own unique circumstances and priorities. In fact, a lot of organisations will end up utilising some form of hybrid organisational structure. According to Daft (2016), the fundamental difference among structures is the way in which employees are departmentalised and to whom they report. While other organisational structures are used, for example, a customer based divisional structure and a network based quasi virtual structure, the organisational structures discussed here are by far the most common:

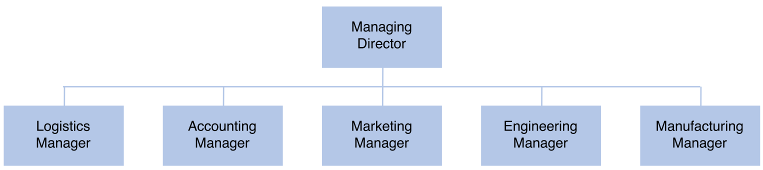
1. The functional structure
2. The divisional structure
   - Product based
   - Area based
3. Hybrid structures

These structures may be used by organisations that only operate domestically, or with some change of focus, firms that operate internationally. In addition to the structures listed, this section ends with a brief review of two initial specifically international structures.

The Functional Structure

A functional structure involves grouping activities and positions into departments based on similar skills, expertise and resource use. A functional structure organises people, facilities, and other resources into a single department: for example, engineering, manufacturing or human resources. In a functional structure information flows up and down and the organisation is centralised at senior management level. People within a department communicate primarily with others in the same department to coordinate work and achieve departmental objectives. This form of organisational structure is well suited to smaller organisations and is very commonly used.

A Typical Functional Structure



The benefits of a functional structure

1. It is relatively simple to understand, use and implement, especially for smaller organisations.
2. The senior management can stay in touch with all activities and operations.
3. Grouping employees by related activities enhances specialisation and enables a more efficient use of resources.
4. A functionally based department facilitates the development of in-depth skills because people in the same department work on similar activities, related problems and can more easily interact and learn from their departmental colleagues.
5. It facilitates more centralised decision-making and easier organisational coordination because the chain of command converges at the top of the organisation.

The drawbacks of a functional structure

1. The function structure can result in senior management becoming overburdened with routine matters and consequently neglecting strategic issues.
2. It can be slow to respond to customer and market changes, as the functional departments may become myopic.
3. Related, because innovation tends to require cross-departmental cooperation and communication, the functional structure may hinder innovation.
4. The functional structure often creates problems of coordination across the organisation's functional departments, as each may become more insular.

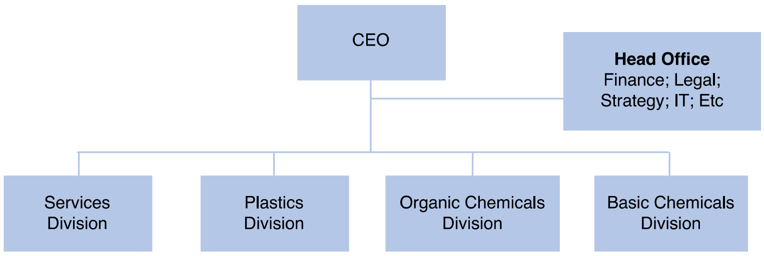
A Divisional Structure

When organisations become larger, the functional structure usually becomes unwieldy and is frequently replaced by a form of 'divisional structure'. The divisional structure groups resources, people and activities into larger sub-units of the organisation – 'divisions'. The two most common forms of divisional structure are:

- A product based divisional structure
- An area based divisional structure

The divisional structure may be utilised by organisations that are purely domestic or that are multinational. In the divisional structure, the organisation groups together all the departments and activities necessary to produce a product or service. Therefore, each division will have its own operations, marketing, logistics etc. In effect, each division is a separate 'business' within the firm, and will have a team of divisional senior management. In a product based divisional structure, divisions are built around a range of similar products, while in an area based divisional structure, divisions are built around different regions, countries or even continents.

Simplified Product Based Divisional Structure



In a product based divisional structure, each division has effectively full responsibility to develop, design and market a range of related products or services. There will usually some organisational wide responsibilities retained in the Corporate Head Office, for example, corporate finance, a strategic management department, or a legal department. For example, in the illustration above, the organisation is broken down into four different divisions, or as they are sometimes called, Strategic Business Units. The logic of this structure is that the products produced, for instance by the 'Organic Chemicals Division', have considerable similarities and are sufficiently different to the firm's other products to warrant their own dedicated resources and activities. In other words, in a divisional structure, there is usually significant similarities among products or services within a division, and significant differences between divisions. A product based divisional structure is most suitable where the products or services produced do not have to be significantly adapted to the particular cultural, legal, regulatory, etc needs of different countries or regions.

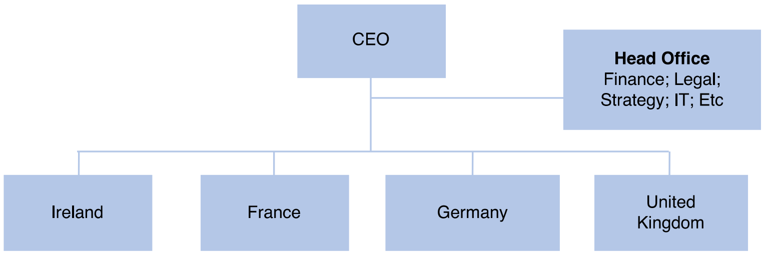
The benefits of a product based divisional structure

1. A product based divisional structure enables the different departments and functional areas within a product division to focus only on their specific products and customers, rather than diluting their attention across the entire organisation.
2. Related, this organisational structure usually facilitates greater product responsiveness to market changes.
3. A product based divisional structure reduces the operating decision-making burden on corporate senior management, as most decisions are taken at the divisional level.
4. A product based divisional structure improves functional and departmental coordination within product lines.
5. As each product division is a profit (investment) centre, the performance of the organisation's products is easier to evaluate.

The drawbacks of a product based divisional structure

1. A product based divisional structure involves inefficiencies and potentially significantly duplication across the different product divisions: multiple marketing, sales, production, etc departments.
2. Related, this structure reduces the opportunity for economies of scale among functional areas, for example, finance, human resources, and so on.
3. There may be a conflict between the organisation's corporate objectives and the decisions and objectives of the product divisions.
4. Similarly, there is an increased possibility of competition and conflict across the different product divisions and difficulties in coordinating across the product divisions.
5. A product based divisional structure may create inconsistencies and difficulties for customers that purchase multiple products across different divisions.

Simplified Area Based Divisional Structure



In the event where products or services do have to be adapted to the unique cultural, legal, regulatory, etc needs of different countries or regions, then an organisation is more likely to employ a form of area based divisional structure. For example, in the illustration above, the organisation is broken down into four different divisions, this time based around four different countries. In this organisational form, the firm recognises that each country requires a significantly different product or service, for some combination of reasons, for instance, cultural, linguistic or regulatory differences. Therefore, each area division has effectively full responsibility to develop, design and market a range of related products or services that are suitable for their particular geographic market.

The benefits of an area based divisional structure are broadly similar to those of a product based divisional structure, although the benefits relate to its ability to adapt its products and services to the requirements of the relevant location. In particular, the benefits of an area based divisional structure are:

1. An area based divisional structure should lead to an in-depth understanding of the market, customers, competitors, governments, etc in that region.
2. Related, an area based divisional structure should enhance an organisation's responsiveness to the unique changes in the market, economic conditions, and so on for that region.
3. An area based divisional structure should improve departmental and functional coordination within that region.
4. An area based divisional structure enables the different departments and functional areas within a region to focus only on their region, products and customers, rather than diluting their attention across the entire organisation.
5. As each area based is a profit (investment) centre, the performance of the firm's markets and products is easier to evaluate.

The drawbacks of an area based divisional structure are also similar to those of the product divisional structure:

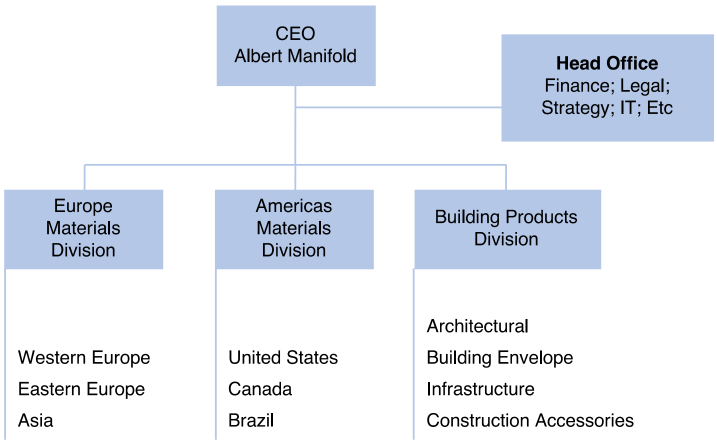
1. An area based divisional structure involves inefficiencies and potentially significantly duplication across the different regions and area divisions: multiple marketing, sales, production, etc departments.

2. An area based divisional structure often inhibits coordination and communication between regions.
3. There may be a conflict between the organisation's corporate objectives and the decisions and objectives of the area-based divisions.
4. Similarly, there is an increased possibility of competition and conflict across the different regions and divisions and difficulties in coordinating across them.
5. An area based divisional structure may create inconsistencies and difficulties for customers that purchase multiple products across different regions.

A Hybrid Structure

As mentioned, instead of a pure structural form as outlined above, many organisations will end up utilising a combination, or hybrid, organisational structure. The reason an organisation will make this choice it to reduce some of the problems associated with a particular organisational structure by augmenting it with another structure possessing complementary strengths. For example, a simplified organisational structure of CRH plc is included below. The firm seems to use a hybrid product divisional and area divisional structure. This choice reflects CRH senior management's view that the materials divisions need to respond effectively to regional conditions and circumstances, while the building products division does not, but should instead emphasise scale.

Simplified CRH Hybrid Divisional Structure



Initial International Structures

Frequently a firm that operates domestically will decide to expand internationally. If it is successful, over time the relative importance of international revenues and operations increases. In order to effectively manage this expansion and international orientation, a firm's structure will normally evolve in parallel. There are no 'rules' on how the firm should reorganise itself as it expands internationally, and the senior management in each firm will decide on what they see as appropriate for the organisation they manage. There is no consistent sequence that firms follow, and the structure is instead influenced by the relative importance of international sales, product diversity and the size of its international markets. The two most common initial international oriented structures are:

1. An export department
2. An international division

<u>An Export Department</u>

In general, firms initially internationalise with limited number of products in a few, close markets. The products will normally be those already developed for the home market and will be manufactured in the home country. As a consequence, the primary international task in the firm is exporting the products to the foreign markets. If sales warrant it, the firm may add an export department to their existing structure. This department will specialise in 'international tasks', such as international shipping, coordinating with foreign distributors and customs regulations. The main benefit of the 'export department structure' is that the people who work on international activities are grouped into one department, allowing international knowledge and expertise to more readily develop.

An International Division

As international revenue and activities become more important, the firm will need to allocate more resources. A common next step is to establish an international division. In this structure, the firm gives exclusive authority and responsibility for all overseas operations to a separate division of the firm. Management has limited international experience and so this is concentrated in one division. The international division monitors and coordinates all international activities. At this stage, international revenues are important but still limited compared to the firm's domestic revenues. The international division is also used where a large domestic oriented business is seeking to develop its international business. The international division often has its own small departments for accounting, finance, marketing, and sales. However, production and R&D activities usually remain part of the domestic business.

Advantages

- International activities receive top management attention.
- The approach to international activities is consistent.
- It facilitates the development of management economies and experience.

Disadvantages

- Creates two groupings in the company, with possible divergent objectives.
- International activities may be perceived as secondary to the domestic business.

Once a firm's international markets have evolved to the extent that an international division is no longer seen as organisationally suitable, the senior management of the firm may decide to again reorganise, typically to one of the options discussed previously, albeit with an international rather than purely domestic orientation:

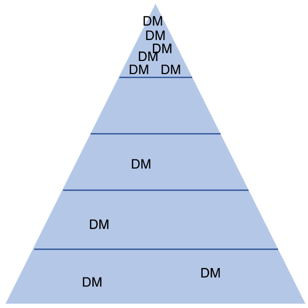
1. An international product divisional structure, or
2. An area based divisional structure.

Locus of Decision-Making

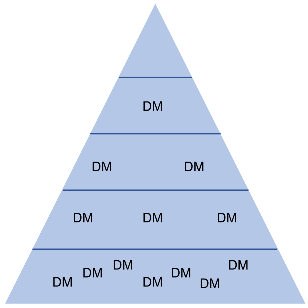
An important choice that needs to be made in designing organisations is the location of decision-making. In other words, which manager, at which organisational level, may make which decisions? This is referred to as the locus of decision-making or the level of centralisation or decentralisation.

The Centralised Organisation

In centralisation, organisations retain decision-making authority at the top of the organisation, with only a few individuals. In the diagram for example, almost all decision-making (DM) takes place at senior management levels, and only very minor operational decisions are taken by front line and middle management.



The Decentralised Organisation



In decentralisation, organisations push decision-making authority down to the lowest-possible level. In the diagram for example, most decision-making (DM) takes place at lower management levels, and only more important decisions need to be reported up to, and be taken by, more senior management.

Rationale for Centralisation
The main reasons for the centralisation of decision-making to predominantly senior management in organisations are outlined below.

<u>Implementation of strategy is more straightforward</u>
When decision-making is centralised at the top of the organisation, it is more straightforward for senior management to drive the implementation of the decided upon strategy. The senior management in the organisation are more involved in implementation and consequently, there is less possibility of lower level management re-interpreting strategy implementation decisions into something unintended by the organisation.

<u>Ensures decisions are made in the interest of the overall organisation</u>
Related to the previous point, the centralisation of decision-making tends to ensure that decisions are made in the interest of the overall organisation. There is always the possibility that lower level management or local management may misunderstand the organisation's strategy for some reason or be unaware of the organisation's priorities. Conversely, lower level management may act 'subversively' to benefit themselves personally, for example, by seeking to increase their personal power or by 'empire building'.

<u>Ensures decisions are consistent across the organisation</u>
When decision-making is decentralised to lower level management, they have a greater degree of authority and local autonomy. This may potentially lead to inconsistent decisions being made across the organisation in different departments or subsidiaries. If a small team of senior management make decisions, they are more likely to make them consistently as the same small group are making the decisions and they are likely to be more aware of organisational strategy and priorities, and of the decisions made by their fellow senior management.

<u>Facilitates organisational coordination and control</u>
The centralisation of decision-making leads to senior management being very involved in all areas of the organisation and to having considerable knowledge and understanding of the organisation's day-to-day activities. This operational knowledge and understanding allows senior management to coordinate and control activities across the organisation as they are aware of what is happening in different departments and locations. Similarly, their knowledge and understanding acts as a control mechanism as they become aware of unplanned activities or circumstances.

<u>Avoids potential duplication</u>
There is the consistent danger when decision-making is decentralised that activities, programmes or investments may be duplicated in different departments and locations. This may be because lower level management or local management are unaware of the existence of the duplication, or it may be that for some reason, they do not wish to rely on other areas of the organisation. Irrespective, duplication is a direct increase in the organisation's cost base, as well as potentially leading to inconsistencies and

confusion. The use of more centralised decision-making by senior management reduces the likelihood of any unplanned or accidental duplication.

Rationale for Decentralisation

The main reasons for decentralising decision-making to lower level managers and more local managers in transnational corporations are outlined below.

Facilitates senior management focus on strategic issues

The centralisation of decision-making means that the senior management must make most of the decisions in the organisation, even relatively minor ones. Decentralisation relieves senior management of this time-consuming responsibility and allows them the time and space to focus on more strategic issues.

Motivates lower level management

When decision-making is decentralised to lower level management, they have a greater degree of authority and local autonomy. The lower level managers will feel that they have more control over their department. They will also feel that senior management trusts them and have confidence in their ability to manage effectively. As a result, their morale is higher, and they will tend to have a more positive attitude.

Faster decision-making

When decision-making is decentralised to lower level management, they do not need to report up and await decisions by more senior managers. Instead, since they have the decision-making authority themselves, they can make decisions more quickly than they would otherwise be made.

Improved and more responsive decision-making

Related to the previous issue, in general lower level managers will have more in-depth understanding than senior management of any particular operational issue. The lower level managers experience these issues as part of their day-to-day role, are likely to have more insight and therefore be in a position to make more responsive, locally relevant decisions. As a consequence, these decisions are likely to be better than those that would be made by the more distant senior management.

Facilitates diversification and internationalisation

A more decentralised organisation will find it easier to diversify its products, activities and markets, and to internationalise its operations. As an organisation widens its product range, internationalises its markets, etc, decision-making becomes increasingly complex and the demands placed on senior management become overwhelming. These growth opportunities become more feasible to the extent that lower level, more local managers are given the authority to make decisions.

Management development

When decision-making authority is decentralised, lower level managers in the organisation will get the opportunity to develop their talents by taking initiatives and making decisions. Organisations need managers who have experience and decentralisation enables lower level managers to be ready for more senior positions and greater responsibility.

Factors Impacting on the Locus of Decision-Making

The locus of decision-making is influenced by a number of factors. Firstly, as already identified, an organisation's strategy is an important influence on the level and nature of decentralisation. For example, where firms wish to ensure fast decisions in response to local circumstances, they will become more decentralised. The operating environment, and in particular the level of uncertainty and change in the environment will impact the locus of decision-making. For example, where there is considerable unpredictability and where circumstances are changing quite rapidly, firms will become more decentralised to better respond in a timely manner. The size of the organisation also influences the locus of decision-making. Larger organisations, with large numbers of people and diverse and dispersed activities by necessity tend to become more decentralised. It should also be recognised that in addition to the 'general' level of organisational centralisation and decentralisation, different departments and functions are more or less likely to be centralised or decentralised. For example, research and development and finance are in general likely to be more centralised, while marketing and HRM are in general likely to be more decentralised.

The Centralisation, Decentralisation Continuum

From Deresky (2016)

Coordination and Control

As discussed earlier in the article, as organisations become more successful and grow, their structural design should also evolve. Over time, organisations will add functions, departments, subsidiaries and even divisions as their success and strategies require. The increasing level of differentiation is necessary for organisations to effectively achieve their objectives. However, if not balanced with increasingly complex coordination mechanisms, the increased differentiation and specialisation of organisations results in organisational inconsistencies and dysfunction.

Organisational control and coordination mechanisms, or 'integration mechanisms', ensure that people, departments and even dispersed locations can work effectively together. Integration mechanisms seek to ensure that organisations achieve their targets, that people and departments do not become isolated within the organisation and that work is consistent and coordinated. There are a wide variety of integration mechanisms, and the most important and common are outlined below.

<u>Organisational Structure</u>
The most common organisational structures were described earlier in the article. Organisational structure is of itself a control and coordinating mechanism; identifying activities, tasks and those responsible. In tandem, those higher in the organisational hierarchy have multiple departments or activities reporting to them, and they are therefore aware of the actions and progress of these departments or activities. These managers can consequently link and coordinate across the different departments or activities, ensuring that they cooperate and work together effectively. The locus of decision-making, discussed above, also facilitates coordination and control. For example, centralised decision-making creates a direct framework for senior management control, where this relatively small team makes all the key decisions and possesses all the key information. When organisational decision-making is decentralised, senior management must rely on other systems and mechanisms to monitor affiliates.

<u>Policies and Procedures</u>
Organisations over time develop a bureaucracy of policies and procedures. Policies are general statements that set out the parameters within which managers make decisions, and thus help ensure

more consistent performance. In contrast, procedures describe the exact way of performing an activity; they outline the exact sequence of actions in a process or task. Both policies and procedures delimit individual initiative and decision-making scope and therefore ensure more consistent actions and decisions, irrespective of who is involved. Policies and procedures tend to work best when the operating environment is more stable and predictable.

Organisational Culture and Values

Organisational culture and values describe what an organisation and its members believe to be important in how it operates and is 'the way things are done'. A strong organisational culture with widely shared values, can be a powerful influence on the behaviours and attitudes of staff. A strong organisational culture can guide alignment, even conformity, with the organisation's goals and performance standards. For example, a firm may have created an organisational culture that values customer satisfaction and staff initiative. Organisational culture and values are a more effective integrating mechanism when the operating environment is unpredictable, and uncertainty is higher. This is because such shared values facilitate coordination as those holding the same organisational values will all work toward the same outcomes, albeit using different methods.

Direct, Personal Interaction

Frequent and ongoing direct and personal interaction is a means of integration by sharing information. Management and other staff interact daily, and in particular where these interactions are across internal organisational boundaries, such interactions provide management and colleagues up-to-date information on issues and actions across the organisation. These interactions are frequently formalised; for example, scheduled weekly production meetings, or monthly budget review meetings. Organisational teams are also a frequent mechanism to share information and address issues. The most important organisational team is, of course, the senior management team, bringing together as it does, experienced managers from across the organisation. Another example is where firms develop 'product teams'. These teams usually consist of managers from the firm's relevant departments, including research, production, commercial and technical functions. The teams would work together, sharing information on a product, and trying to resolve cross-functional differences as quickly as possible.

Information Systems

To a great extent, coordination and control are concerned with the availability of information. Management information systems are a critical means of supplying managers with relevant, current, and accurate information that may be used to coordinate activities, departments and people. In a sense, modern organisations are constructed using a series of information systems and IT architecture. For example, most organisations will utilise accounting, marketing, HRM and logistic and production management systems. Firms such as SAP, Sage, Oracle and Microsoft supply Enterprise Resource Planning Software that manages information across all organisational processes. Management information systems are usually relatively large investments for an organisation, but they provide significantly improved coordination, control and decision-making.

Financial Controls and Key Performance Indicators

Financial controls and key performance indicators (KPIs) involve a wide range of quantifiable performance metrics. The objective of these metrics is to provide information on the performance of an organisation, activity, department, team, etc. They enable management to evaluate performance and to identify potential issues that need to be addressed. The metrics need to be well-defined, quantifiable, well communicated, and agreed rather than imposed. The common financial metrics (obviously) include revenue, profitability, costs compared to budget and sales by product or region. While objective, financial controls do also present difficulties that should be considered when they are being developed and subsequently as they are used. In particular, any movement in exchange rates can make comparability difficult, while the use of transfer pricing may make it difficult to break out a product's or region's actual performance.

There are numerous non-financial metrics to evaluate performance, depending on the nature of the industry and organisational priorities. The senior management team needs to identify what are the most important and relevant metrics for their organisation and develop a system to collect and evaluate the KPI information. In addition to financial metrics, other common areas to evaluate include:

- Customer metrics; for example, customer churn rate and customer acquisition cost.
- People metrics; for example, employee turnover rate and response to open positions.
- Process metrics; for example, percentage of product defects and percentage of time plant was running.

While there are a wide variety of coordination and control strategies and mechanisms available to organisations, according to Deresky (2016), the coordination and control problem is accentuated for transnational corporations in comparison to domestic organisations. She identifies several reasons for this:

- A TNC's locations and facilities are geographically dispersed
- The national cultures in different countries are sometimes very different
- There may be different ownership structures in different countries
- The business environment facing subsidiaries differs across countries
- The nature and level of governmental interference may differ across countries

Conclusion

Strategic alignment is the most difficult and time-consuming stage in the strategic management process. It involves trying to ensure that the disparate elements of an organisation are effectively integrated to work towards the achievement of the organisation's strategy. 'Structure follows strategy' is a core principle of organisation design and emphasises the need for organisations to develop a structure that reflects their organisational strategy and facilitates the strategy's implementation. Hitt et al, (2019) describe organisational design as the process of assessing an organisation's strategy and environmental demands and then determining the appropriate organisational structures. Constructing an effective organisation design is very complex and requires balancing and integrating several organisational elements. There are several important issues that must be considered as part of an organisation's design, and this article addressed some of the key issues in organisational design, in particular, organisational structure, locus of decision-making and organisational integration.

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