*Strategic Management*, 9e: Chapter 12 study guide

Mintzberg’s six design configurations

Mintzberg argued that there were four main aspects to the environment that would impact on designing the organisation:

1. *Rate of change:* When the organisation operates in a more dynamic environment, it needs to be able to respond quickly to the rapid changes that occur. In static environments, change is slow and predictable and does not require great sensitivity on the part of the organisation. In dynamic environments, the organisation structure and its people need to be flexible, well co-ordinated and able to respond quickly to outside influences. The dynamic environment implies a more flexible, organic structure.

2. *Degree of complexity:* Some environments can be easily monitored from a few key data movements. Others are highly complex, with many influences that interact in complex ways. One method of simplifying the complexity is to decentralise decisions in that area. The complex environment will usually benefit from a decentralised structure.

3. *Market complexity:* Some organisations sell a single product or variations on one product. Others sell ranges of products that have only limited connections with each other and are essentially diverse. As markets become more complex, there is usually a need to divisionalise the organisation if synergy or economies of scale are unaffected.

4. *Competitive situation:* With friendly rivals, there is no great need to seek the protection of the centre. In deeply hostile environments, however, extra resources and even legal protection may be needed: these are usually more readily provided by central HQ. As markets become more hostile, the organisation usually needs to be more centralised.

He then used these to develop six types of organisational configuration that are shown in the Exhibit below. The importance of Mintzberg’s configuration lies in the light it throws on the types of *organisation* needed to deliver types of *strategy*. Two examples will make the point:

1. *The machine organisation* is typified by work standardisation. Such an organisation may not wish to seek higher-value-added work in small market segments because this would not be consistent with its current resources and work methods.

2. *The innovative organisation* is typified by mutual adjustments between members of the organisation rather than standardisation of work, skills or output. An organisation structured in this way is unlikely to be able to start turning out standardised items, unless it changes radically, invests in totally new resources and learns new skills.

On this basis, when an organisation’s structure is defined in broader terms than merely its reporting structure, then such a structure will guide the strategy options open to the organisation. In this way, *strategy is linked to structure*.

It should be noted that most organisations will rarely match Mintzberg’s six configurations precisely. However, they do provide guidelines that link the earlier characteristics with their strategy and structure implications. Moreover, they could be used to show the implications of what might happen as the organisation changes – for example, becoming larger, with a more complex product range.

Comment

Mintzberg’s configurations clearly oversimplify the possible organisational combinations. There are several more fundamental criticisms of the approach:

 It might be argued that Mintzberg’s version of the *divisionalised structure* is so vague as to be limited in value: there may be several other different configurations contained inside the divisionalised configuration. In a sense, it is not discriminatory and could include several the other categories, each in its own division.

 It might also be said that some companies do not just standardise one variable as above, such as work or processes, but standardise several and that the distinctions that Mintzberg draws between them may not reflect reality. In these cases, there is no single key co-ordination mechanism.

 There may be connections between the innovative and entrepreneurial organisation types: the way some entrepreneurial companies grow may involve a strategy of innovation.

 Manufacturing innovation has made some real contributions to strategy over the past few years. However, in Mintzberg’s categorisation, manufacturing is probably a *machine* rather than an *innovative* organisation.

 This book takes the view that all companies need to include innovation as part of all their strategies. To confine it to one configuration is dubious at best.

Overall, Mintzberg’s configurations provide some useful guidelines on organisation structure and its relationship with strategy, but they need to be treated with caution.

**Exhibit: Mintzberg’s configuration of organisations and the way they operate**

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| ***Mintzberg’s strategic configurations*** | ***Background: see Part 2 of this book*** | ***Structures and linkages*** | ***Example*** |
| ***Environmental analysis*** | ***Resource analysis*** | ***Key part of organisation*** | ***Key co-ordinating mechanism*** |
| **Entrepreneurial organisation** | Simple and fast changing | Small, young Sharing of jobs | The top: the boss or owner | Direction from entrepreneur | Small computer service company |
| **Machine organisation** | Strong growth or cyclical | Well-established Clear tasks, technology | Direction from formal reporting | Some standardisation but some flexibility | Computer assembly or car plant |
| **Professional organisation** | Rules-bound, complex, required professional entry | Strong specialist expertise | Central HQ plus directors | Professional skills standardisation | Management consultancy or hospital |
| **Divisionalised structure** | Different divisions have different priorities | Well-established, often large with clear competitive advantages | HQ plus divisional managers | Some standardisation of outputs | Fast-moving consumer goods group |
| **Innovative organisation\*** | Sensitive and fast-moving | Young, informal, experts involved | Entrepreneurial centre | Flexible and free-wheeling | Advertising agency |
| **Missionary organisation** | Simple, aware of position in society | Ethically driven, strong beliefs, clear views | Ethical beliefs | Standardised based on beliefs | Charity or social work |