

The importance of effective organizational structures in the battle for competitiveness

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Abstract

The significance and the influence of the concurrential environment are crucially important for enterprisers. So, the firms' leaderships are now obliged to give up the mentality of the "exclusively inner look" and to take into account, effectively, the concurrential environment in which they function in their actions of reprojection of the managerial system in general and especially of their organizational structures. The faster the enterprise can adapt its organizational structure to the new demands, the higher its capacity to survive is. Consequently, the flexibility of the organizational structure becomes an essential condition for enterprises.

Key-Word: concurrence; innovative process-oriented, lean management, total quality management, orientation towards clients.

1 Introduction

The requirements that an enterprise has to face because of the *market*, of the *clients* and of the *concurrence* are more and more significant and change faster and faster.

If an enterprise aims to be successful in the future, it has to react to these continually changing requirements.

Consequently, the organizational structure does not need to be re-projected (re-elaborated) just in order to satisfy some regulatory and efficiency functions oriented towards the inside, on the contrary it has to make sure that it takes into consideration the environmental requirements and that it is able to satisfy these requirements through adequate outputs.

For a market-oriented enterprise (able to resist in the battle for competitiveness), the client's problems are its own problems and consequently it must be properly organized for them.

2 Problem Formulation

The structuring of a *client-oriented* enterprise represents a fundamental demand of a modern organizational structure.

Many of today's Romanian enterprises had difficulties in the implementation of their strategies because they tried to continue to maintain their actual organizational structure. On this occasion it was noticed that the new requirements could not be met using traditional organizational concepts.

Based on different organizational measures, some *basic concepts* can be adopted, thanks to which modern enterprises can react and successfully meet the requirements of the external environment.

In our opinion, these basic concepts can take the form of *innovative organizational models that can be: process-oriented; employees-oriented; task-oriented.*

3 Problem Solution

The most important *innovative process-oriented organizational concepts* are:

- lean management
- total quality management
- orientation towards clients.

We consider that these organizational concepts are interwoven and complete one another. Consequently, the *reduction of the number of hierarchic levels according to the concept of lean management* can often be related to the need to *get closer to the clients* and the other way round.

• Lean management

The most serious criticism expressed against Romanian enterprises (from a structural viewpoint) refers to their *bureaucratic closeness*, as they represent *heavy, complicated* and *anti-progressive* structures, the management of these enterprises being concerned rather with solving its own problems than with taking care of the clients' desires (the market's demands).

The solution is a *lean management*, which actually means to abandon the *supremacy of mass-production* that reigned for so long in both European and American enterprises.

According to the concept of *mass production* the bigger the quantity of a product is the lower the costs per product unit will be.

The concept of lean management consists in combining the advantages of a mass production to the adaptation to the market (clients) requirements and the increase of work quality.

This becomes apparent in the reduction of the number of hierarchical levels and in the decentralization of the commercial activities.

This concept's effects are often similar to those of the third industrial revolution, after the mechanization and the automation of the work processes:

- preventive quality assurance is achieved by focusing the quality assurance measures on the **assimilation of new products** (and of new production processes)

- each employee has to consider the requirements of the following employee from the work process, this being the **critereon of the internal client**. Each employee must know the criteria of the one that takes on the results of his work, and must make sure that they are met.

The concept of **total quality management** is often used in combination with the concept of *Kaisen*.

Kaisen represents the preoccupation of all the employees of an enterprise for adopting measures of continuous improvement of the already attained quality standards.

An efficient application of the concept of T.Q.M. supposes that the enterprise personnel should understand its responsibilities and the *value of quality*.

For the Romanian enterprises new quality standards have been proposed, passing from the old standard, based on "prevention" to the new one, that places a special accent especially on "activity improvement". According to this new standard, the enterprise is made up of a series of intermediary processes that interact logically in order to lead to the completion of the finite products. The present organizational structures are not adapted well enough to implement the new system.

At the same time, "process management" can be applied, based on decision-making decentralization at the level of the plant directors, as well as on the decentralization of the budget of each plant. In this way, inside the plants, and in their relations with one another there appear new relations based on the concept of the "internal client", which requires a new

vision concerning the relationship between the present organizational structure and its restructuring.

The concept of the *internal client* requires the rethinking of certain structures, and of the relations between them, both at the level of the plants and at the level of the sections whose objective is to improve the intermediate products quality and competitiveness, as well as to satisfy the "internal client".

Lean management means fit management and is characterized by:

- reduction of the number of hierarchic levels;
- considerable reduction of the complexity of the organizational structures;
- production under better quality and price conditions;
- better adaptation to clients' demands;
- efficient communication and use of adequate informational systems;
- orientation towards the value-creation chain and the use of synergies, avoiding an exaggerate fragmentation of the tasks;
- reducing to the minimum the errors in production and administration;
- a large use of the concept of "just in time" in the production process;
- avoiding parallelisms and meaningless functioning;
- concentrating on essential problems;
- high flexibility in using the personnel and an increased qualification of the personnel.

The application of the **concept of lean management** leads to:

- the development of simple, transparent organizational structures;
- open, free discussions between employers and employees concerning the existing organizational structures and the highlighting of the weak and strong points;
- the personnel can come with propositions (so it can contribute) to the elaboration of the new organizational structures.

In large Romanian enterprises, the organizational structures are strongly formalized with clear delimitations between their sections.

At the same time, the decisions concerning payments, contracts and orders (both for buying and for selling), the operative production programming, the hiring and firing of certain people are centralized at the level of the general management. Decentralization is possible at the level of the following functions: production, commerce, finances and accounting, by the transfer of certain competences from the level of

the production, commercial and economic managers and at the level of the plant managers.

After 1990, the production decreased continually and the character of mass production is not so significant anymore, as the number of clients decreased a lot in 2009 compared to 1990. This led to important problems in production programming and resource planning, the consequence being the decrease of labor productivity.

In order to eliminate these deficiencies it is necessary to re-project the organizational structures in the domain of production programming and launching, as well as to change the policy concerning small beneficiaries. It is advisable to apply the innovative concept of *lean management*.

• **Total quality management (T.Q.M.)**

The concept of T.Q.M. appeared after the Second World War as a consequence of the cooperation between the American and the Japanese enterprises. By applying the principle of assuring the quality for the whole value chain, the aim is to improve the results of the enterprise under the conditions of a cost decrease.

The T.Q.M. concept is related to the following principles:

-the principle of the orientation towards the process (reflected in the organizational structure);

-the principle of the internal client;

-the principle of the identification of each person with the tasks that he/she has to fulfill and that of assuming the responsibilities for their accomplishment and for the work result;

-the principle of prevention – which represents the basic element of the measures of quality assurance.

We consider that in order to create the general conditions of a T.Q.M.-oriented enterprise, some concrete measures must be adopted, such as:

-the identification of each person and of the tasks he/she has to fulfill and the introduction of self-control;

-the creation of problem-solving groups, quality groups, analysis groups and improvement of the organizational processes;

-the orientation towards the process is ensured by appointing a **process manager** (he takes on the responsibility for solving an objective throughout the value chain);

-preventive quality assurance is achieved by focusing the quality-assurance measures on the **assimilation of new products** (and of new productive processes);

-each employee must take into account the requirements of the following employee from the

work process, this being the principle of the **internal client**. Each employee must know the quality demands of the one who takes on his job's results and must make sure that they are met.

The concept of "**total quality management**" is often used combined with that of Kaizen.

• **Orientation towards clients**

The orientation towards clients means directing the enterprise's way of thinking and acting towards clients and their needs.

Taking into account this concept, we consider that the objective is to fulfill the clients' demands at a higher level than the concurrence. The orientation towards clients represents a general responsibility of each employee, regardless of his/her activity domain.

This, in turn, leads to the adaptation of the whole activity of the enterprise, of all the work processes and of the organizational structure to the clients' demands. The application (the implementation) of this concept leads to:

-a reduction of the number of hierarchical levels and a decentralization of the commercial activities;

-an organization of the sales activities based on regions;

-a division based on sales areas;

-a concentration on market segments;

-an identification and knowledge of the important clients.

At present, in an enterprise, the relations with the clients are centralized at the level of the director (sales manager) through the service of sales and that of export.

The reorganization in the context of the "orientation towards clients" can be done in two ways:

a) by moving the sales-related activities to the production departments, which leads to the disappearing of an intermediate link (head of the sales department, head of the export department);

b) by creating a central deposit of enterprise products where the sales department should deploy its activity.

The second variant is more feasible because:

-all the products come to a single delivery point, and the clients do not need to move around more if they need products made in different sections;

-weighing and payment are done in the same place;

-the heads of section are no longer bothered by different clients in order to hasten the solving of certain orders;

-it is easier to keep a correct track of the unfinished production (that is in the process of execution) and of the production delivered by different sections;

-it is easier to satisfy less important orders.

At the same time, a priority is that of developing internal and external distribution networks based on effective market studies.

Process organization leads to an organizational structure based on the *orientation towards processes*, according to which the positions and departments are oriented according to the value chain specific demands.

The *three innovative organizational concepts oriented towards processes* - lean management, T.Q.M. and orientation towards clients - have in common the fact that the organizational structure moves (is determined) along the processes. They no longer go through the traditional hierarchical steps being instead oriented towards processes. (fig. 1 and 2)

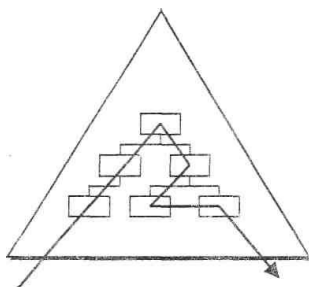


Fig. 1 The traditional organisation of process

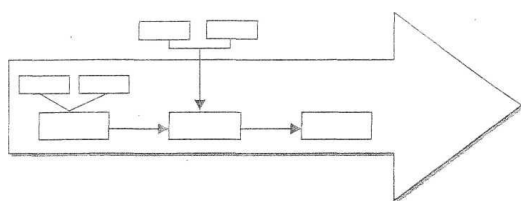


Fig.2 Organizational structure oriented towards processes

The enterprise reunites different activities (grouped on functions) during which the employees make the products offered to the market. The chain of these activities represents stages by means of which value is created during production.

In the organization *oriented towards processes according to the value chain*, a difference is made between main (basic) activities and auxiliary activities. *The main activities* refer to the immediate supply of the market. *The auxiliary activities* aim to assure the conditions of deployment for the main activities and have coordinative and supplying functions.

The value chain becomes an instrument thanks to which *the process-oriented organizational structure* can be analyzed, checked and restructured.

With the help of the value chain it is possible to verify into what kind of activity groups the enterprise can be structured. The verification of the traditional

organizational concepts based on the value chain can offer significant points of assistance for the restructuring of the organizational structure of an enterprise in agreement with its environmental requirements.

Process-oriented organizational structures are used to solve very rapidly highly individualized tasks.

4 Conclusion

To conclude, we can say that it is difficult to make a statement about the future of these new structural forms and their viability, but it is obvious that they demonstrate the search for a new "structural solution" as a result of the mix between strategy, organizational structure and leadership, in order to be able to face today's concurrenial environment.

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