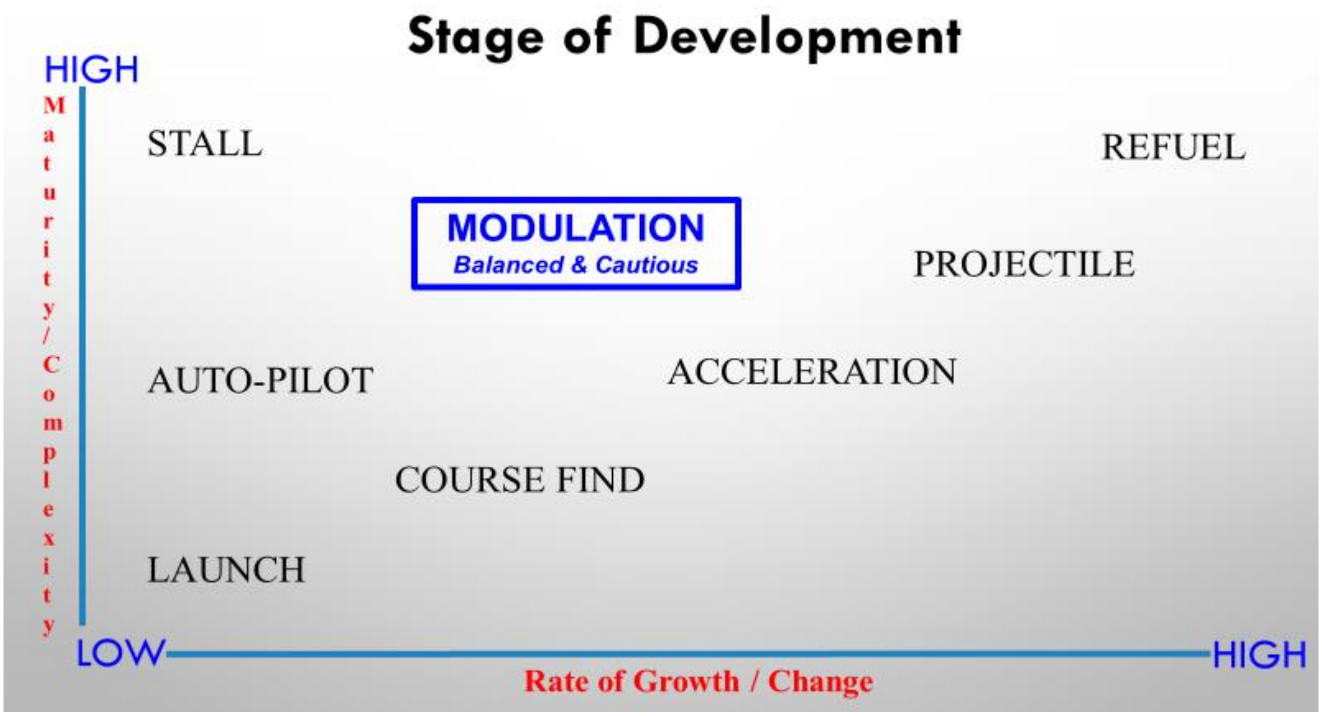
Management Insight
Organizational CAT-Scan
Business Risk and Performance
Sample Report - 2020

Stage of Development – Organizational Lifecycle

While organizations develop differently, depending on capitalization, competition, product life cycle, technology, age, general economic conditions, and managerial life cycles, they do follow distinct patterns of development. These patterns of what we call Development Stages provide useful insights into the organization. For example, the effectiveness of the decision style of key executives is affected by the Development Stage of the company. Thus, an organization in an early or Start-Up or LAUNCH Stage, works best with an entrepreneurial leadership style, while a mature organization needs the vision and direction of a more analytical or conceptual style of management with the skills to enlist, engage, negotiate and direct the teams to an agreed upon outcome. **Since these patterns are repetitive they are therefore predictable.** Knowledge of these Stages allows companies to act in a proactive and anticipatory manner rather than a reactive one.



The organization is at the MODULATION Stage of Development. While cautious, the organization is flexible and confident enough to take chances when opportunities arise which could lead to greater profitability.

Organizational systems exist to make sure existing resources are leveraged without, at the same time, discouraging an investment of time and energy in projects which offer no immediate pay-out.

More specifically, during this development stage, a service organization can be expected to display many of the following characteristics.....

- to attempt to maintain a balance between short term profitability and long term health

- to attempt to grow in a highly controlled fashion

- to prefer "safe" to high risk approaches, and to proceed cautiously into new areas

- to concentrate on better leveraging existing resources

- to have found a clear market niche (or niches) which it attempts to satisfy primarily through existing services and service refinements

- to pay attention to both existing markets and the markets likely to yield future growth

- to "proceduralize" certain services and to use technology and equipment in such a way that the personal element in service delivery is minimized

- to work to bring user expectations into greater alignment with reality

- to have established formal planning processes (both strategic and operational), and formal communications mechanisms

- to have introduced a clear chain of command and to expect it will be honored

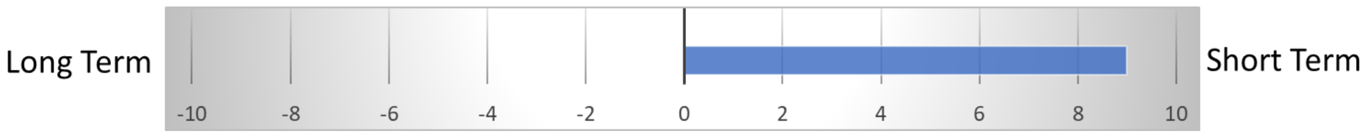
- to experience greater difficulty in coordinating the activities of different specialists or delivery and production units

Organizations at the MODULATION stage of development succeed as a result of mechanisms designed to COORDINATE and CONTROL the efforts of once independent units. Information systems are introduced and the numbers they generate are studied carefully. Additional procedures or more complex reporting relationships are introduced to reduce competition and encourage collaboration (or, at least, cooperation).

The crisis that often besets many organizations at this stage of development is one of RED TAPE. The systems introduced to enhance coordination and control become ends in themselves. Excessive rules and procedures can render the organization ineffective, and propel it toward or into STALL. Only if this crisis of Red Tape is managed can the organization either perpetuate the Modulation Stage, or move into the more dynamic stage of REFUEL.

STRATEGIC PREFERENCES

Corporate strategy shapes and therefore provides insights into an organization's objectives, purposes or goals; underpins its principle policies and plans for achieving those goals; and defines how an organization competes and focuses its resources.

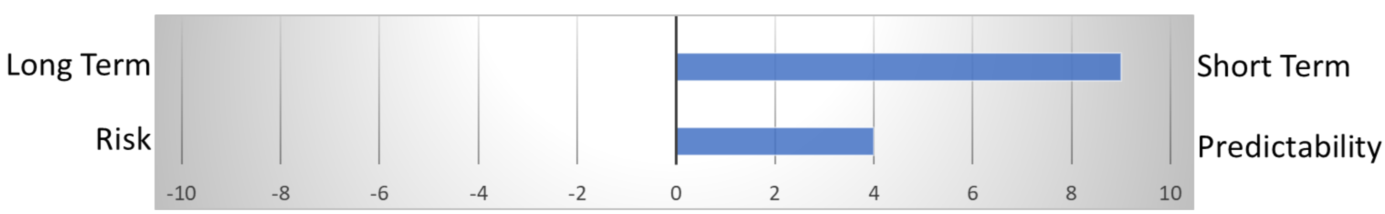


From your perspective there is a much greater focus on the SHORT TERM implications of decisions than on the Long Term impact of actions. Short Term profitability is emphasized over long term growth. Investments which are not likely to have a short term positive impact on the bottom line are scrutinized extremely carefully before they are made. In addition, the short term perspective applies regarding personnel; as it hires, the organization thinks primarily in terms of delivering current services.

This is also true with regard to staffing levels; meeting today's average demand is the preoccupation.

In addition, the short term perspective applies regarding the management of competition; the organization tends to react to competitive threats, as opposed to anticipating change in the competitive environment.

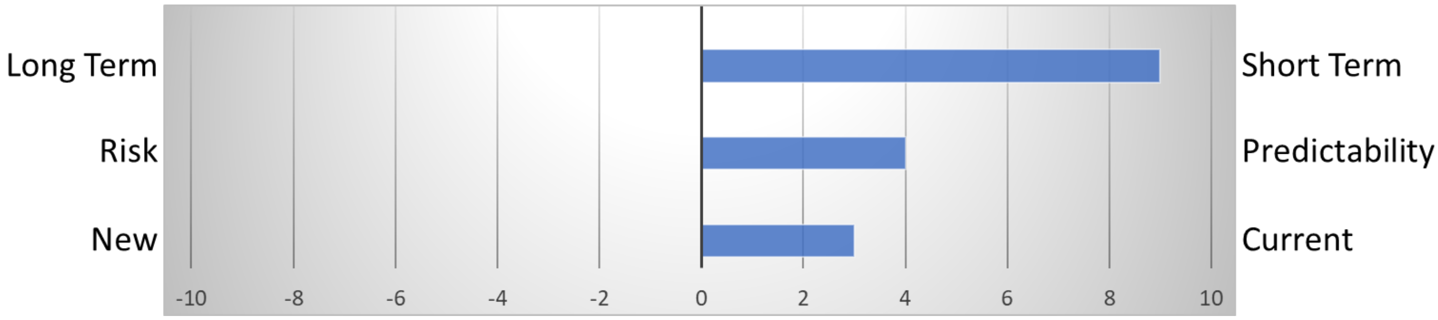
Further, a preference for a short term return is evident as decisions are made regarding marketing strategy; existing markets are of greater interest than new or emergent markets.



While it will make a decision that involves an element of Risk, the organization prefers pursuing PREDICTABLE courses of action. The preference for maintaining Predictability is reflected in the application of new technologies to automate its services and minimize personal service; the company displays a "wait and see" attitude.

This is also true with regard to new service line decisions; the organization is reluctant to enter areas in which it has not demonstrated the capacity to deliver.

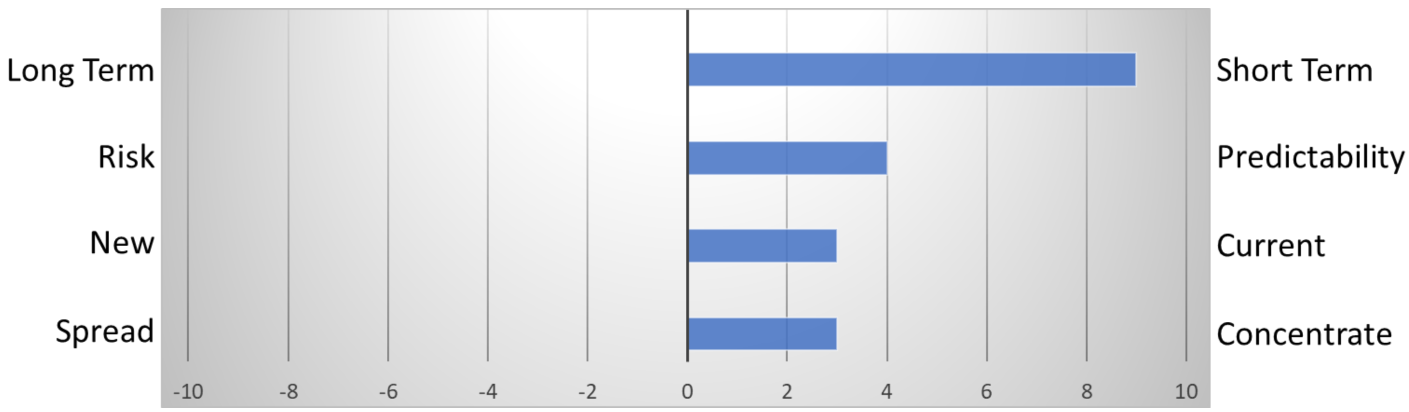
This strategic preference is displayed by the unwillingness to experiment with new technology to better manage information, and the unwillingness to modify service to respond to changing trends.



While the organization is willing to consider investing in New approaches, its preference is to leverage its investment in CURRENT lines of business, markets and/or technologies. This is particularly true with regard to its service development strategy; the emphasis is on expanding the number of users of existing services.

This is also true with regard to its user population; repeat business is regarded as more important than getting new service users.

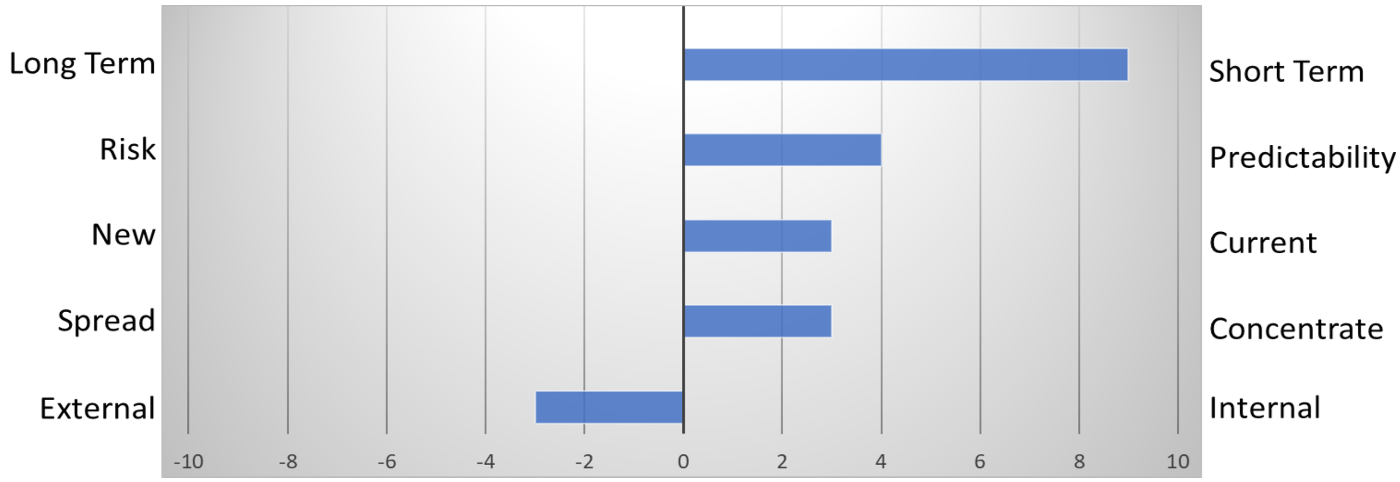
The organizational preference for maintaining the status quo is clear in the markets it pursues.



The organizational preference is to focus or CONCENTRATE its resources. This is particularly true with regard to service development; it seeks to build full line capacity in a few areas.

This is also true with regard to its marketing strategy; the organization seeks significant share in defined markets as opposed to representation in a variety of markets.

In addition, the emphasis on concentration is reflected in its delivery strategy; the organization prefers to remain centralized with regard to the delivery of its services.



The organization focuses more on EXTERNAL than internal considerations as it establishes strategy.

The organization's willingness to attend to External opportunities and restraints is apparent as it:

- develops a pricing strategy;

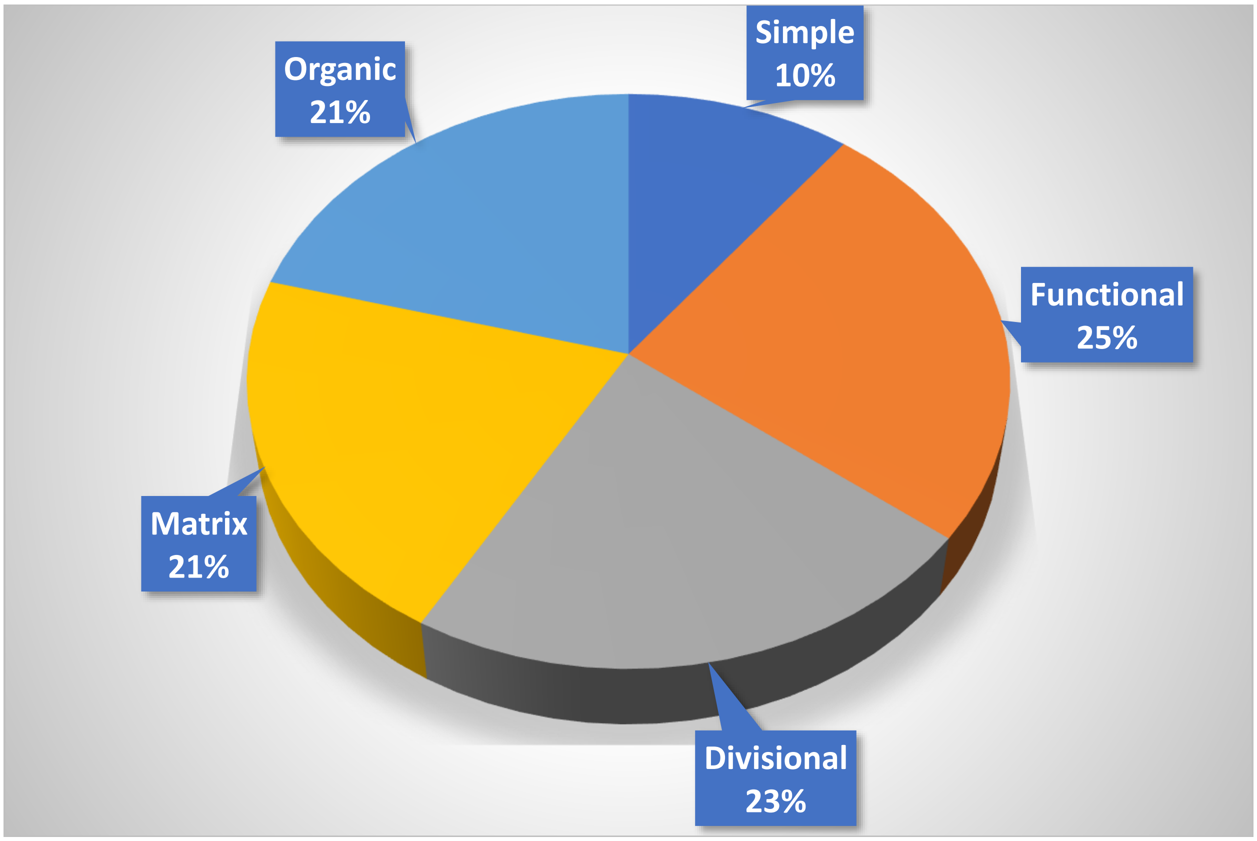
- involves users in delivery;

- modifies its patterns or approaches to mirror key user characteristics;

- works to make user expectations realistic.

Structure or Organizational Design

An organization's structure and its systems represent its anatomy and its circulatory system — how it moves and acts and how things get done. Even though the organization possesses a brain with a vision with a Culture and a Strategy, it will not make much progress without both a structural skeleton and a set of systems to regulate its progress. Organizational Structure is the concrete means through which people are assigned to tasks, the delegation of authority for making decisions and the placement of accountability for results.



The organization has many of the characteristics of a FUNCTIONAL HIERARCHY in which personnel are grouped according to specialty or activity. Management devotes significant time and energy to coordinating the output of the functions or specialties. Personnel tend to adhere to the specifications stated in their job descriptions and in other policies and procedures.

The Functional Hierarchy provides several advantages to operating in this way. The organization breeds specialists (vs. generalists). Operations proceed in a highly predictable manner; rules and procedures encourage adherence to predetermined routines. Everyone is clear about who is supposed to do what, with and to whom, by when.

The Functional Hierarchy also poses some significant disadvantages. Parochialism, or "tunnel vision" and excessive focus on a single specialty may make people less aware of or responsive to the needs of the total organization and of the marketplace. Motivation levels may decline as people lose sight of the overall mission of the organization. Communication can suffer as people fail to voluntarily share information with people in other functional areas.

The organization has some of the characteristics of the DIVISIONAL form of organization in which the organizational units or "divisions" are expected to operate relatively independently of one another. Each of these units is expected to focus on particular market segments (which may be defined according to geography or type of user). While many of the support services and operational activities that are needed by each unit are shared, others are duplicated with the intent of giving each unit some measure of autonomy, and control over the resources they need to produce. Communication between the units is therefore limited. Resources (e.g., functional specialists) assigned to one unit are not readily accessed by other units. Managers responsible for each unit have a significant voice in the decision making process. Top management establishes unit specific performance goals, and re-allocates resources within the organization as necessary to respond to opportunities or to solve problems.

The organization design in place in this company is "working" fairly well. While some difficulties are being experienced, the advantages of operating with this structural form currently outweigh the disadvantages.

- Information is generally processed in a timely manner.

- Resource utilization is adequate. There is little or no "down time" on the part of expensive resources. Economies of scale are realized as resources are easily transferred from one organizational area to another.

- Issues that require in-depth expertise can be managed; organizational specialists have the required knowledge. Specialization permits the organization to benefit from an in-depth understanding of key markets. It is likely that the organization's specialists will enable it to remain sufficiently "state of the art" with regard to relevant disciplines.

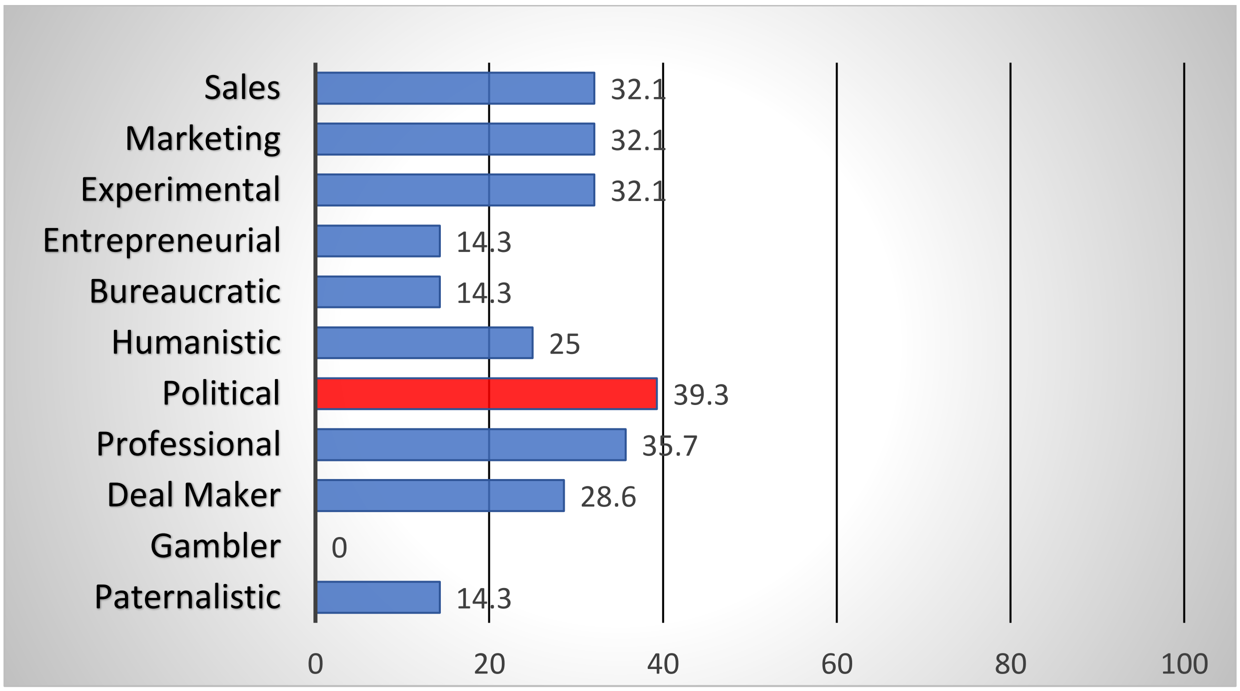
In other respects, the Structures in place may be creating problems.

- There is insufficient coordination between areas of the organization. Competition or lack of communication between organizational units leads to decisions which are not always in the best interest of the organization. Collaboration between organizational units is not happening; expertise possessed by one part of the organization is not sufficiently leveraged by other parts of the organization.

- Some opportunities may be lost due to lack of a consistently high degree of sensitivity to the marketplace. Decisions do not reflect consideration of changes in user and prospective user needs and preferences. Incentives and information exchange mechanisms fail to encourage wide-spread and ongoing awareness of the impact of performance (or failure to perform) on the end user.

Culture

Organizational Culture refers to the unwritten often unconscious messages that fill in the gaps between what is formally decreed and what formally takes place. It involves shared philosophies, ideologies, values, beliefs, expectations and norms; how it *feels* to work here. As with Structure, it is rare that a company possesses one single or pure Culture, but rather a blend of several. A dominant Culture often supports the *Mission* of a company and provides clarity of purpose and vision to its employees.



While there is no clearly dominant Culture, this organization appears to have several different types of cultures (or set of values, assumptions and ideologies) in place at the same time. Below are the brief descriptors for the dominant Cultures as well as the Cultures needed to transform the organization. This organization has some of the characteristics of organizations with a…

POLITICAL CULTURE: The climate is characterized by caution, suspicion, and attempts to gain visibility or popularity without being controversial. Employees tend to take stands which they view as popular, or acceptable to persons in power. There is an emphasis on being a good "team player". However, allegiances can shift, and change based on the perception of who holds the power. Organizational heroes tend to emerge during times of crisis; the most adept politicians are persons who are able to "save" the organization at times of crisis. The power to influence decisions is not necessarily reflected on the formal organization chart. A combination of what you know and who you know determines the ability to influence.

PROFESSIONAL CULTURE: The climate is one which encourages precision and rigor. Employees are expected to pay close attention to detail, and to be extremely orderly in their thought processes and behavior. There is a belief that the "scientific method", if pursued with rigor and persistence, will ultimately pay off. Members of the organization are expected to maintain a long term perspective, and to contribute to progress through the steady pursuit of innovation. Decisions tend to be made slowly, and generally only after a comprehensive data gathering effort and complete consideration of alternatives. Employees tend to be at least as loyal to their professional discipline as to the organization itself. Financial rewards are of less interest than the work itself and the prestige that may be attached to being part of the organization.

To improve the organization and to help it flourish, it is critical that the characteristics of the Political Culture be reduced. Simultaneously the characteristics of the Marketing and Experimental Cultures must be enhanced. (See the reading below.) There are several other characteristics that will positively influence the organizations move towards excellence, but reducing the Political nature of the organization is the <u>most</u> important for the short term. Engaging Management Insight, or a firm knowledgeable in the area of Cultural transformation, is strongly recommended.

The organization discourages the emergence of a GAMBLER CULTURE. In organizations with such cultures, an action orientation prevails as employees are urged to be courageous as they make the rapid fire decisions required to act on opportunities as they occur. The glory of winning is the prime motivator.

The organization is not BUREAUCRATIC. In organizations with Bureaucratic Cultures, the climate is sluggish. Employees are expected to proceed in an orderly and cautious manner. Such organizations generally encourage tight conformity with behavioral codes and "rules".

The organization is not PATERNALISTIC. In Paternalistic organizations, the climate is benevolent and caring. Such an organization tends to treat employees more as children who need to be nurtured and protected than as adults who are capable of taking responsibility for their own lives and careers. Employees of paternalistic organizations tend to push decisions upward, and to avoid having to take responsibility for a decision which may involve an element of risk.

Organizations at the Modulation stage of development tend to operate most effectively if they have a strong MARKETING or EXPERIMENTAL culture or a combination of all the following compatible cultures in place: MARKETING, EXPERIMENTAL, PROFESSIONAL.

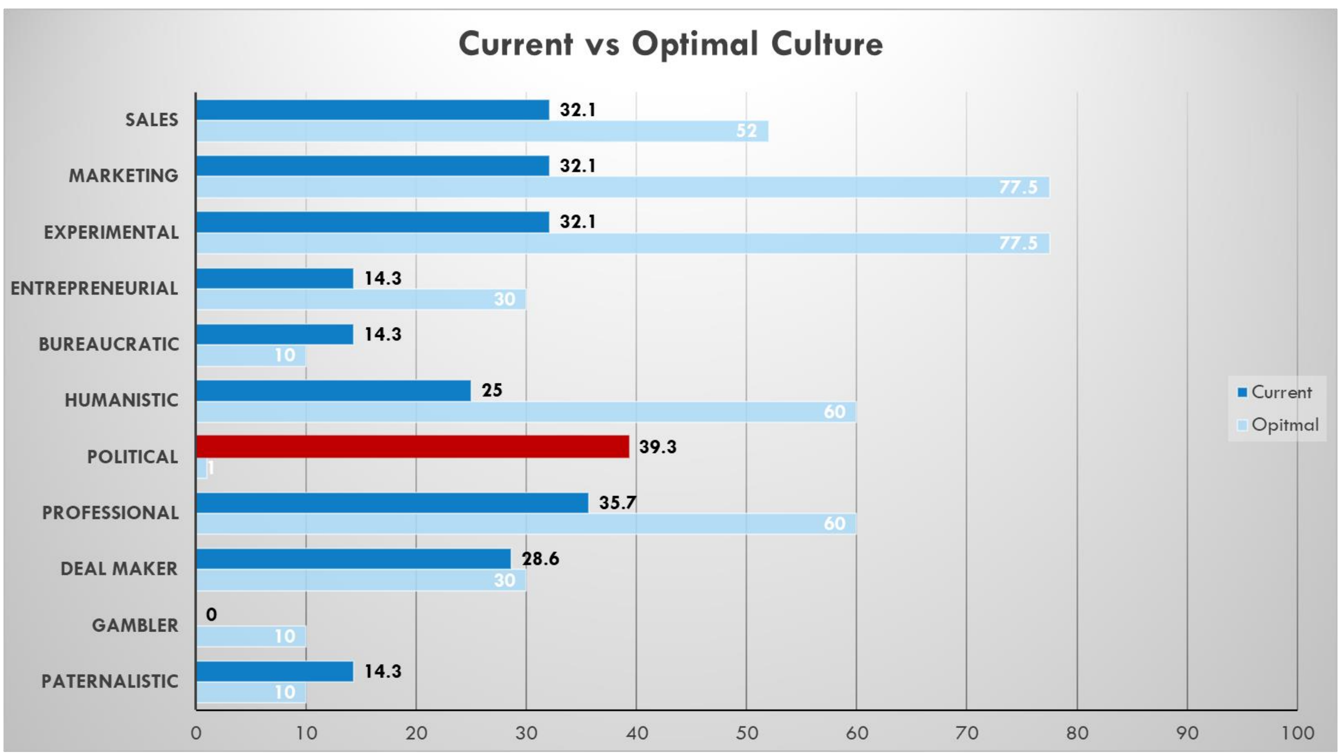
MARKETING CULTURE: The climate is aware, responsive and innovative. While employees are expected to maintain high levels of activity, reflection as well as action is encouraged. Employee’s tend to simultaneously be “doers” and “thinkers”.

Management makes it clear that the customer is king. This is true of both current and prospective customers. The organization believes in “investment marketing”, or in spending time and energy today in order to establish relationships that may pay off in the future. The immediate sale is viewed as being of less importance than the quality and durability of the relationship with the customer. There is a strong belief that systematic effort pays off. Members of the organization are expected to maintain a long term perspective, and to contribute to progress through the steady pursuit of innovation. There is the conviction that product or service quality and innovativeness make the difference. A problem finding, problem prevention and problem solving mentality prevails. Therefore, all employees are empowered to, and expected to, devote significant time and energy to helping customers prevent and solve problems.

Such organizations typically have a clear statement of mission and vision, which is designed to improve the overall quality of life of employees, customers and, often, the public at large. In effect, organization’s with a Marketing culture can often promote the image of a socially concerned and responsible employer. Employee’s tend to embrace the vision of the company, and, as a result to be very loyal. Pride in what the company stands for or represents is a primary source of motivation. Given the widespread understanding and acceptance of corporate norms and ethics formal rules are rendered largely unnecessary. The culture itself provides sufficient control over employee behavior.

EXPERIMENTAL CULTURE: Advancement and progress through trial and error is the modus operandi. While employees are expected to maintain high levels of activity, reflection as well as action is encouraged. Employees tend to be simultaneously “doers” and “thinkers”. There is a strong belief that systematic effort pays off. Members of the organization are expected to maintain a long term perspective, and to contribute to progress through the steady pursuit of innovation. The monitoring and documentation of technological trends that could affect the organization is encouraged.

Such organizations typically have a clear statement of mission and vision, which is designed to improve the overall quality of life of employees, customers and, often, the public at large. Organization leadership is not of the opinion that strong profits and a high stock price are all that matter. The organization is unlikely to be willing to quickly drop a product or service line, division, or area of technological inquiry, simply as a result of disappointing returns. Such a culture *typically* neither aggressively promotes growth, nor constrains growth due to concerns about expanding too fast. Growth rates can therefore be extremely uneven, as the latest “discovery” can lead *automatically* to a change in market share. By enhancing the Experimental and Professional Cultures this unevenness can more effectively be managed.

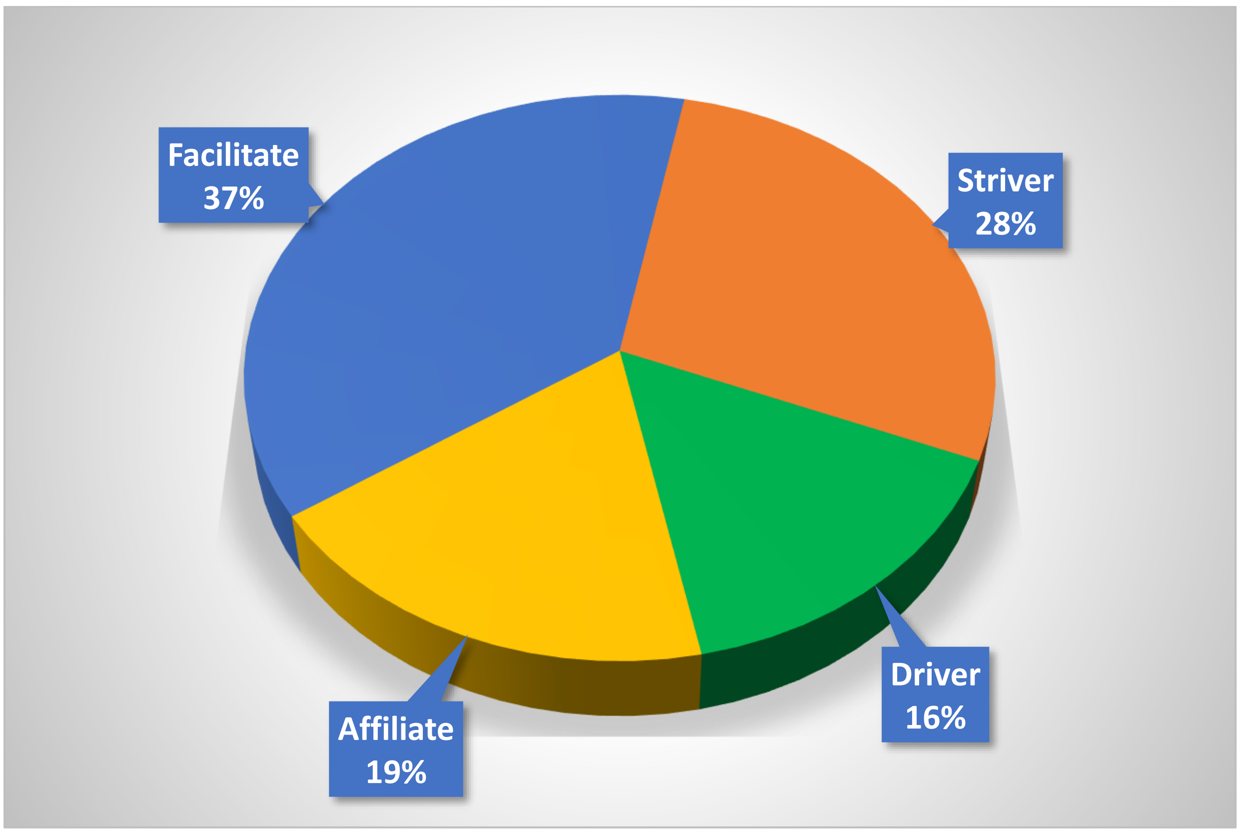


<u>Optimal scenarios have been developed for all other areas, these are reviewed in our de-briefing session.</u>

Leadership Style

The key ingredient in any organization is its people. Understanding how and in what manner the Leader(s) function is critical to assessing the present health and future success of the organization. If the Leadership Styles of the key executives are not appropriate to the particular Stage of Development, then the organization will suffer misalignment.

LEADERSHIP STYLE is examined in terms of four particular types. It should be noted that one leaders' style is never 100% one type or another. Rather, all of us have developed a blend of these four elements, which make up our particular style of leadership. There is no perfect form of leadership style, all four of the elements described below are valid and necessary. The question is whether a particular style fits the particular needs of an organization at a specific time (Development Stage) and whether the leader is flexible in his or her use of power.



The Chief Executive does not have a clearly identifiable, consistent leadership style. This could create confusion in the minds of subordinates. The different patterns of behavior that he displays are as follows....

The Chief Executive is a FACILITATIVE leader. He cares about his people, is very responsive, and works hard to build strong relationships with subordinates.

The Chief Executive displays concern and respect for his subordinates as he shows through his behavior that he both understands and values their points of view. He attempts to establish a work environment which satisfies the needs of the organization's employees.

The Chief Executive is more comfortable influencing others on the basis of trust and expertise than on the basis of the formal clout inherent in his position. He is equally comfortable inviting others to collaborate and to influence decisions, and in attempting to convince others to do things the way he wants them done.

While he is a Facilitative Leader, the CEO also has many characteristics of a STRIVING Leader. The STRIVER is a task focused leader who is hard working and can often appear to be more concerned about the job than the employees and their needs. His particular strength lies in his ability to remain task focused, and to encourage and enable others to do the same. Through a series of clear statements regarding his plans and expectations, he both controls and motivates others.

The leader's ability to enlist, involve, direct and negotiate with subordinates is critical to his effectiveness to bring about the changes necessary to create excellence. His ability and willingness to delegate, and use his relationships by leveraging power of position, expertise and charisma are fundamental to his ability to move the organization forward.

FOCUS OF CONCERN - MODULATION

The Focus of Concern in most organizations at the Modulation Stage of Development is as follows. Note that "High" refers to a high felt need for this activity while a "Low" indicates that this type of activity is typically not emphasized.

TOP MANAGEMENT	
Assessment of Financial Needs	Moderate
Business Planning	High Focus on cost containment and control. Major focus is return on investment
Decision Counseling	Moderate Related specifically to the problems of good people who have mostly managed their own effort and been pretty successful. These people must now adjust to increasing level of control and bureaucracy
Marketing and Pricing Strategies	High Driven by increased focus on return on investment
Mergers/Acquisitions	Moderate If company undervalued, may be acquired
Performance Improvement	High Return on investment puts focus here

Productivity Improvement	High
	Traditional focus for most developed countries at this stage EXCEPT in the United States
Strategic Planning	High
(Long Term)	Balancing, restructuring, and consolidation of mostly existing efforts
Tax Planning	Low
	Focus earnings per share
Turnaround Management	Moderate

MANAGEMENT SYSTEMS

Generally, the assessment, design, or implementation of functioning systems.

Accounting System Design	High
	Consolidation of organization and the focus on return on investment. See Information Distribution below
Cash Management	Low
Computer System	High
	New systems and focus require new financial and information systems
Cost Reduction	High
	Focus is consolidation of operations and return on investment
Asset Management	High
	Staff and product group places emphasis on effective use of resources
Inventory Management	High
	Focus return on investment
Performance Analysis	High
	Industry oriented specific analysis of top 10-20 measures
Productivity Analysis	High (See above)

FINANCING	
Forecasts/Projections	Moderate Mostly used internally in the Planning Process
Liquidity Assessments	Low
Growth Financing	Low Funds usually generated by company operations
Public Offering	Low
OTHER AREAS	
Benefits/Compensation	High Becomes a key motivator for rewarding action and increasing retention
Bookkeeping	Low
Executive Search	Moderate Focused on key staff functions and those who can operate in a centralized (often bureaucratic) mode
Tax Compliance	Low
Lease/Buy Evaluations	Moderate
Merger/Acquisition	Moderate
Expansion into Export or Import	Moderate Natural focus for a company in this development stage of a return to fundamentals would include: rationalization of product lines, and increasing the distribution of products or services
Information Distribution	High Relatively stable development stage; little change required after the transition. At the time of transition, need to move to a line or staff organization centralized control

Risk Assessment

This assessment predicts the likelihood of business decline and suggests why. The measurement is a matrix of congruence and appropriateness between **Development Stage** and: **Strategy, Structure, Culture and Leadership Style.** It incorporates such dimensions as; involvement of the Board, rate of expansion, motivation, product or service quality, responsiveness to the marketplace, monitoring of customer needs and satisfaction, technical change, morale, management balance, depth and competence.

While the axiom that there is no reward without risk tends to be true, it is both possible and desirable to manage and attempt to minimize unnecessary risk. **The Risk Assessment** was designed to enable organizations and management teams, whose resources and businesses are constantly placed at risk, to increase the likelihood that their decisions will result in gain. The use of the Risk Assessment leads to an improvement in overall management practices, procedures and capabilities, while providing more accurate assessments for improved management of your business.

An organization may not be a good risk because it is pursuing **Strategies** that are inappropriate, given its **Stage of Development**. Or, perhaps the organization's ability to perform is hindered by its tendency to cling to an outmoded form of organization **Structure**. Or, perhaps the **Culture** of the organization stimulates dysfunctional employee behavior. Sometimes, the **Leadership Style** of the organization's executives is a problem, and intensifies the likelihood of poor performance.

The organization is displaying some of the signs of stagnation. The likelihood that it will begin to decline is **MODERATE**.

Risk of Business Decline

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| -------------------------- |
|  Very High Risk  |
| -------------------------- | Unhealthy Profile
| High Risk |
| -------------------------- |
|Moderate to High Risk|
===========================
|Moderate Risk  |
===========================
| Low to Moderate Risk  |
| -------------------------- |
|Low Risk |
| -------------------------- | Healthy Profile
|Very Low Risk|
| -------------------------- |
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The organization has not stayed abreast of changes in society and lifestyles. As a result, it is likely that it may experience a slackening of demand for its products and services.

The organization's failure to anticipate and respond to changes in technology could contribute ultimately to business decline.

Lack of management depth is an organizational liability. This contributes to poor decision making, and impedes planned growth, as the Chief Executive is forced to get overly involved in operational detail, or as critical issues fail to get the attention they require.

Product or service quality is deteriorating or stagnating. This is likely to contribute to business decline.

The presence of many layers of management, and the resultant sluggishness of the decision making process, is likely to contribute to business decline.

The leadership style prevalent in the organization is not responsive to the needs of the organization given its development stage. The likelihood of business decline is intensified as a result. Organizations at the Modulation stage of development benefit from having a "benevolent dictator" at the helm. Given the need to maintain a balance of power between and among organizational units, it is imperative that the Chief Executive be decisive, strong-willed and tough minded. He needs to be assertive, not aggressive, able to make his views prevail without at the same time making others feel they are undervalued or that they have been compromised as individuals. On the contrary, the Chief Executive's ability to develop leaders within the company is essential at this stage.

Difficulties also exist with regard to the following although the problems are significantly less severe than those listed above:
Organizational health may be compromised somewhat as the organization fails to either anticipate change in the competitive environment, or to shift strategies in a timely way in response to competitive moves.

Opportunities may be lost, or unnecessary risks incurred, as the organization fails to consistently anticipate economic fluctuations.

The organization could be more actively attuned to or responsive to changes in the marketplace. Weakness in this area could be the result of any one or a combination of the following: failure to monitor user perceptions, non-responsive product development or modification cycles, inappropriate resource allocation processes, "cultural drag", or corporate isolation of the marketing function.

The organization suffers somewhat from "one man rule". The Chief Executive occasionally makes decisions without accessing the opinions of others. This may be the result of "style" or it may result from having too few leaders (or people to consult) in the company. When this occurs, there is an increased likelihood that the decisions that are made could be less than optimal.

The top management team is somewhat imbalanced with regard to background or expertise. This may lead to the making of decisions which fail to consider all relevant variables.

The organization suffers somewhat from lack of employee enthusiasm, commitment and energy. Morale could be better.

Turnover of key people tends to cost the organization.

The organization has some difficulties with regard to the processing of information. This could lead to the inappropriate or nonproductive allocation of financial resources.

The organization suffers somewhat as a result of either a sizeable investment in a "big project" or significant change in direction or a belief that energy and ambition coupled with the "grand scheme" will inevitably lead to success.

The organization is weakened somewhat by an inability to fully leverage the stimulants for growth that confront organizations at its stage of development. Further, its efforts to handle the crises inherent at its stage of development are not sufficient. More specifically, the organization has not fully benefitted from the fluidity and flexibility of a well-coordinated organization and is experiencing some difficulties due to excessive red tape (i.e. a proliferation of policies and procedures).

The organization's strategies could create problems, given its development stage. The strategies in place are either overly aggressive or overly conservative to allow the organization to take full advantage of the opportunities or to resolve problems that typically accompany this stage of development. (see the output on Strategy) Modulation organizations are interested in balance. They appropriately place equal emphasis on the SHORT TERM and on the LONG TERM. While seeking PREDICTABILITY, they should not be not risk averse. Further, such organizations appropriately seek to simultaneously leverage current assets, while pursuing new opportunities. Finally, they are smart to attend more to EXTERNAL opportunities than to internal resource constraints as decisions are made.

While organizational strategies tend to be supportive or congruent with one another, there are a few inconsistencies.

Organizational structure is not completely appropriate (or not strong/clear enough) given the company's development stage, and is likely to make it difficult for the organization to realize its full potential. Organizations at the Modulation stage of development tend to perform most effectively when they are structured either as a MATRIX or, alternately, as a DIVISIONAL organization with MATRIX characteristics. In a matrix organization, employees are held accountable for the performance of at least two of the following: functional results; product results; market or regional results. Many employees report to more than one superior, with both superiors having significant influence over their career progress. While having to serve two masters can create role conflict and tension, it offers the advantage of encouraging specialists to coordinate their efforts. In a divisional organization, on the other hand, quasi-autonomous or independent units are charged with accountability for the performance of specific products or markets. Each area or "division" functions as a complete organization. While it is true that at present advantages are outweighing disadvantages, some fine-tuning of policies, procedures and reporting relationships is required. (See the reading at the end of the Structure section.) Further, the organization should closely monitor the impact of structure on its ability to process information, allocate and utilize resources well, coordinate efforts, etc.

Given the organization's development stage, its culture promotes an excessive degree of either conservative, aggressive or ambivalent behavior. (See the reading on Culture) Organizations which are at the Modulation stage of development tend to operate most effectively if they have a strong MARKETING or EXPERIMENTAL culture or a combination of all the following compatible cultures in place: MARKETING, EXPERIMENTAL, PROFESSIONAL. In the MARKETING culture, the customer is king. The immediate sale is viewed as being of less importance than the quality and durability of the relationship with the customer. There is a combined emphasis on quality, innovation and service. In the EXPERIMENTAL culture advancement and progress through the steady pursuit of innovation is the modus operandi. *Trial and error* is acceptable. Optimism coupled with determination prevails. In the PROFESSIONAL culture, rigor, discipline and strict adherence to standards are valued.

The organization's strategies and structures are not completely in sync. In some respects, the structures in place will make it difficult for the organization to implement its strategies. The DIVISIONAL structure encourages an allocation of resources to several fronts simultaneously. Therefore, it is not the most suitable form of organization when CONCENTRATION is the strategy of choice. FUNCTIONAL HIERARCHIES tend to encourage a concentration on a single discipline. This can make members of these hierarchies unaware of (or unresponsive to) global changes that are occurring outside the organization. Therefore, this form of organization is not indicated when the strategic emphasis is on responding to EXTERNAL problems and opportunities.

The organization's otherwise problematic profile is rendered more positive by the following....

The organization focuses more on EXTERNAL opportunities than on internal constraints and preferences as it establishes strategy. (See output on Strategy.) This should contribute to its ability to establish or maintain a competitive edge.

The organization anticipates change in, and influences, its political environment.

Organizational decision makers have a variety of objectives that they hope to accomplish as a result of being in business. They are not motivated simply by the desire to rapidly accumulate power, money or status. This increases the likelihood that their decisions will reflect an appropriate concern for the long term health of the organization.
The physical environment of the organization attests to its vitality.

The organization's ability to control costs should contribute to its ongoing profitability and growth.

The organization has established sound financial tracking systems. Decision makers are armed with comprehensive and timely information about all the key financial variables.