

# CULTURE EFFECTS ON FORMAL PROCESS OF STRATEGIC PLANNING AND ORGANIZATION STRUCTURE

Nani Medianti

Fakultas Ekonomi Universitas Surabaya

## **Abstract :**

*The purpose of this essay is to describe how structure of the organization and its culture will affect the formal process of strategic planning and analysis. The link among them is presented through two extreme mind frames, 'palace' and 'tent', that serve as a background for discussing the different approach of strategic process and the culture behind it when facing the changing environment. This essay also includes a discussion about the important role of belief structure and the political perspective of the organization as a guide in the decision making of the organization about its relationship with environment and its strategy. However, it is necessary to constantly challenge and question the basic assumption of the organization to be able to survive in the dynamic environment ahead.*

**Keywords:** *strategic planning, strategic process, belief structure, organization culture, organization structure*

## **INTRODUCTION**

An organization structure as well as the shared belief structures that become the culture if the organization will affect its formal process of strategic planning and analysis. In particular, the discussion will cover the link between formal strategic planning and two extreme of organization structures, palace and tent. The description about the frameworks that serve as a basis of discussion the link between strategic planning and the mind frame of the organization is presented below.

## **DISCUSSION**

Johnson and Scholes (1999) introduce that strategy can be developed as a result of deliberate managerial intent as well as the outcome of cultural and political processes. Typically, strategy is usually defined as a plan of some sort or an explicit guide to future behavior. It is conceived to be deliberate, systematic planned process of development and implementation. However, if strategy is regarded as the long-term direction of the organization, which develops over time, it can also be seen as the outcome of cultural and political processes. The organization management depends greatly on the knowledge and experience of the individuals involved. Those individuals represent different view based on experience that built up over years. The configuration between those views, that will become individual beliefs, as well as negotiation or political power, will determine the culture of the organization. In this process, the role of formal plan is monitoring the progress of strategy or pulling together the individual's view and knowledge. While Lorsch (1986) states in his article that each individual beliefs that fits into a pattern or culture will guide the decision made by managers of the organization about relationship with its environment and its strategy. These beliefs cover the vision of management about the capabilities and competencies of the organization to face the environment. However, this culture can also be

a conservative influence that may prevent the organization from realizing the significant change of external conditions, or encourage organization to adapt in terms of its culture. Therefore, in order to keep strategy in line with environmental changes, Drucker (1997) suggested that each organization should constantly test its assumption about the environment, mission and core competencies. This is what Drucker called the theory of business, It is about the assumption that organization should made to face the reality. Eventually, when the change in the environment is recognize, organization should adjust its mind frame or mindset as well as its behavior to go along with it. The mind frame pursued by the organization can actually be divided into two extreme points. One is organization as a palace and the others is as a tent.

### **Palace Mind Frame**

Organization pursuing palace mind frame has a structure that is best described as rigid, combining elegant and refined components with an assumption that the environment is likely to be constant and stable.

Palace structure seems similar to the configuration of machine bureaucracy presented by Mintzberg and Waters (1983), where the classic view of formal organization takes place. It may shown by its extensive hierarchy, centralized decision making as an attempt to have tight coordination, and highly standardized behavior patterns. The belief structure in a palace is likely to be centralized in power authority and result in an inflexibility. This might increase the possibility of the organization to make the environment fit the strategy rather that adapt the strategy to the environment, similar to the typology of limited belief structure. (Walsh and Fahey, 1986). The role of leadership in a palace is trying to encourage the organization to respond to environmental changes, however, it also attempts to buffer it from the forces of the environment in recognition of its need to maintain stability (Mintzberg and Waters, 1983).

A palace structure tends to avoid uncertainty and use formal mechanistic and systematic procedures to couple subunits (Hedberg, et al, 1976). Formal strategic planning erected by a palace is highly systematic and bureaucratic. It needs to have detailed plans and carefully structured preparation before anything can be done. This includes a sequence of analytical and evaluative procedures to formulate an intended strategy, such as drafting plan and building new structure of the organization based on forecasts of how the environment will shift, even though the forecasts are only conjecture of past experiences. A palace can be inferred to respond to the changing environment by adjusting itself to a rigid guideline that is built from pattern of past experiences. Strategic planning movement represents an effort of routinizing organization reassessment. However, it is difficult to undertake self-evaluation such as constantly asking whether its assumptions, considering its environment, specific mission and core competencies, are obsolete to be used. If a palace respects its culture as the essence of the organization's character and competence, which is good, but remain inflexible, it may inhibit itself to survive. Nevertheless, pursuing stability and avoiding uncertainty will contradict the organization's adaptation and survival. Moreover, these systematic procedures suggest weak protection against unpredictability, since the organization's flexibility will be weakened as a result of its strength in rationality.

### **Tent Mind Frame**

On the other hand, tent structure tends to be more flexible, creative, immediate and innovative. This structure tends to discourage conventional parameters of structure to avoid standardization and formalization.

Tent structure appears to correspond with Mintzberg and Waters' configuration of adhocracy. It is likely to be adaptive and

respond continuously to a complex environment that cannot be predicted. Indeed, it constantly scans the environment. It cannot predetermined its patterns of activities, rather its decision or action must be made one at a time, according to the needs of the moment. It has special ability to alert to significant changes and always questions its assumptions and habits. It is continuously prepared to replace its old methods with the new one if sudden change in the environment arises. It may consider each development as a stimulus to another new development in order to continuously improve performance. This reflects how tent structure tries to evaluate its own achievement and capabilities and acts in accordance with Drucker's suggestion about constantly testing its theory of business. A tent has a belief structure resemble the typology of dialectical belief structure in which the authority structure in the organization is likely to be highly decentralized or dispersed. The process of strategy making is believed to be participative and adaptive to the very challenging environment. (Walsh and Fahey, 1986).

A tent structure regards its past experience only as a reference that might be useful to respond a situation. However, it does not adhere to the pattern of past, but instead, it reacts differently to each situation and consider it as opportunities to create reality. In order to be successful in the rapidly changing environment, this structure might divide itself into self-contained units so as to prevent information overloads and delegate discretion to each of them. The natural habits in tent structure are intensive internal communication, challenging each other between group members comfortably, and openness in decision making reinforced by decision flexibility (Hedberg, et al, 1976). Despite the role of leadership in the tent structure that manages the general guideline for strategy, it allows the members to actualize themselves and contribute to the processes of achieving organization goals. (Mintzberg and Waters, 1983).

Tent structure considers its organization as a means, not an end. Therefore its formal strategic planning is used as a tool to respond to the changing environment. However, if necessary, it can be modified so long as it is still inside the broad guidelines.

## **SUMMARY**

In situation where changes in the environment are relatively predictable and centralized authority takes place, formal strategic planning systems may be more appropriate. However, there has been a framework developed to explain the need for different approaches of strategic management in recognition that the organization face the environment with different degrees of uncertainty, and the different desirability of central control on strategy development. Different structure of organization also suggests different approaches to strategic management in appropriation with different circumstances. In the future, the role of formal strategic planning and analysis will become more as a technique to challenge and question basic assumption and the belief structure of the organization (Johnson and Scholes, 1999).

Nevertheless, organization must bear in mind that its strong culture has a positive value. These belief structures are critical components of organization to reach success because they provide guidance to decision making and describe the character and competence of the organization as long as it can maintain its flexibility of thinking (Lorsch, 1986).

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