

Organizational Structure Matters – A Case in Taiwan

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Case Synopsis

This case illustrates the importance of organizational design in facilitating the implementation of strategies and accomplishment of organizational goals. China Steel Corporation (CSC) is progressing to be a trustworthy steel company of global distinction that pursues growth and value-innovation. Along with such development, organizational design has a role to play. Operating in today's dynamic and competitive business world, it is imperative for business to recognize the design of a good structure that helps itself to uphold its values and operation concepts. This case serves as a basis for critical thinking and it is not intended to judge the extent of company's effectiveness.

Body of the Case

Company background

Entering its fourth decade, China Steel Corporation (CSC) is progressing to be a trustworthy steel company of global distinction that pursues growth and value-innovation. On the domestic front, CSC is instrumental in the integration of a number of activities among the local steel-related industries and set them on the right track of healthy development. On the international front, CSC aspires to have an impact on the global steel industry by fostering exchanges of steel production technology and establishing strategic cooperation. CSC also expects to play the part of an industry navigator by gathering resources from the society and people to promote the bio-tech and information industries.

With the head office located in Taipei, Taiwan, CSC was founded in 1971 and listed on Taiwan Stock Exchange in

1974. Aspiring to be a dependable steel company that pursues continuous growth and innovation in several areas of production (plate products, cold rolled products, steel bar and wire rod products, laminated products and hot rolled products), the first Chairman of China Steel Corporation (CSC), Mr. Ma, identified teamwork, entrepreneurial approach, pursuit of innovation, and down-to-earthness as the CSC's values, which laid the cornerstones of CSC's corporate culture. He hoped that CSC employees would apply what these values represent to their day-to-day work and living.

Leveraging Teamwork

Sharing a common goal and working hard towards the accomplishment of corporate objectives, teamwork will break internal rivalries and promote coordination as well

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as cooperation. There is a growth of attention to teamworking and it can be seen as an organizational intervention by which a company's competitive advantage can be established. (Parry, Tranfield, Smith, Foster & Wilson 1998). Literature also shows that team working is part of patterned reconfiguration occurred in manufacturing organization and is argued to reflect a new institutional form of manufacturing organization (Tranfield & Smith 2002). CSC is a large company with complex work processes and sophisticated equipment. What contributes to CSC's success was teamwork, not individual efforts. Mr. Ma strongly felt that CSC had to be an organic whole and thus teamwork was placed at the top of the CSC values and special significance was attached to it. In light of other CSC's values, employees are willing to take risks and are aware of its responsibility to provide superior products and services to its neighboring communities and societies. They are working in an environment where they can grow professionally and intellectually, and providing CSC's shareholders satisfying returns on their investments. Being innovative keeps CSC abreast of the latest development of the industry. Employees have the courage to innovate and never feel contented with CSC's past success. CSC has always placed extra focus on research and development. Only by offering innovative products and services to customers can a company survive in a keen competitive place. Employees are also down-to-earth and be practical as well as realistic. They always assess the real situation. Instead of being theoretic, CSC's employees make sensible decisions to deal with the problems at hand effectively.

Key operation concepts

Apart from those core values, four operation concepts were officially formed in 1984. The concepts are: promotion of social well-being, result orientation, implementation of teamwork, and emphasis on employees' self-realization. CSC firmly believes in reciprocity, and will fulfill the role of a responsible corporate citizen. Research interest in exploring the relationship between

socially responsible behaviour and company performance remains high. Positive results between them are shown in some of the literature (e.g. Russell & Brockman 2011, Filbeck, Gorman & Zhao 2009, Michelin, Boesso & Kumar 2013). As such, CSC aims at establishing the value of its existence as an asset to the society and the nation. Efficiency is also stressed to upgrade operation results and attain CSC's corporate objectives.

As also shown in CSC's values, cooperation and coordination, together with teamwork, are emphasized internally to reach CSC's corporate objectives. Externally, CSC cooperates with the downstream customers to generate mutual benefits and to help develop the domestic steel industry. CSC regards its employees as a valuable asset to the company, and assists them to develop intellectually to fulfill their potential. Creativity and aggressiveness are encouraged. CSC employees are loyal to the company because their professional dignity and deserved rights are respected.

Innovation and continuous development of new products

In relation to CSC's corporate strategies, they are formulated on the basis of growth and continual innovation of values. CSC plans to upgrade its product mix and enlarge its production capacity by means of new production lines or by mergers and acquisitions. At the same time, it tries to integrate and effectively meld the existing production-sales platforms of the Group members in order to maximize the benefit of synergism. CSC will continue to develop new products and, through 'six sigma' activities, strive for sophisticated quality in order to uplift the Group's steel product grade as a whole. In addition, CSC will increase high value-added production lines so as to increase the proportion of high grade products in our production volume. The benefits of adopting 'six sigma' can be proved in Shafter & Moeller's study (2012). Their study indicates that organizational performance is positively affected. Employee efficiency is also enhanced through these process improvement initiatives.

Another aspect of the corporate strategies is to join with CSC's downstream customers in upgrading and in value innovation. Innovations doubtless are crucial for companies to survive and grow. According to Abraham's framework (2012), it helps managers to understand how customers value offerings in relation to time and attention priorities. The framework further guides managers determining actions and identifying market opportunities with an attention-centric mindset. In CSC, it has been using the 'Joint Innovation Model', CSC grows simultaneously with its downstream customers, and together it can manage its niche markets so as to create future demands. The tactics under this corporate strategy include joining forces with domestic steel-related industries, government institutions, and the academia and research institutions to set up the 'R & D Driving Office for Steel Industry Upgrading'. In order to move towards sophistication and higher product grades, CSC continues to serve as the driving force behind its downstream consumers' formation of 'R & D Alliances'. CSC also aims to raise the added value in our products, thereby upgrading the domestic steel-consuming industry. By applying its energy saving experience and technology and expanding further the benefits of the domestic steel industry's energy saving endeavors, 'Energy Conservation Alliances' are formed and promoted.

Technology supported by good organizational design

Good organizational design should support the pursuit of such comprehensive strategies and allow the resources to be used effectively and efficiently. In Tavitiamam, Zhang and Qu's (2012) study of the effect of competitive strategies and organizational structure on hotel performance, organizational structure is found to have moderating effect on the relationship between competitive strategies and behavioural performance. In CSC's case, recognizing the importance of technology, CSC has set up a Technology Division and under this Division; there are various departments. They include 'Steel and Aluminum

R & D Department', 'Metallurgical Department', 'Technology Planning & Development Department' and 'New Materials R & D Department'.

The Steel and Aluminum R & D Department is comprised of a number of sections including 'Steel Product Development Section', 'Steel Making Process Development Section', 'Manufacturing Technology and Aluminum Product Section', etc. Each section is in charge of well-defined responsibilities and job areas. For the 'Technology Planning & Development Department', there are 3 sections. They include 'Office of Specialists', 'Technical Information Center' and 'Technology Incubation & Promotion Section'. In order to fulfill a broad array of objectives, each section performs its functions to their best accomplishments.

For instance, the Technical Information Center originally performed the role of providing information regarding the iron and steel industry for all CSC employees' information needs. From 1991, the center continuously extended its service to subsidiaries of China Steel affiliated companies and some companies in the upstream and downstream steel industries. The center's core collections include monographs, periodicals, technical reports, standards and specifications, patents and online database covering metallurgy, materials science, manufacture technology, energy, environmental protection and business-oriented subjects, etc. Not long ago, the center has begun to collect certain publications from Mainland China to further enhance the technology and marketing resource base.

For the Technology Incubation and Promotion Section, there are two main tasks. First, it is to produce specialty chemicals, sliding gate sands, tundish auto-gunning materials, etc. for the CSC Group and its downstream customers who can benefit by reducing their purchasing costs and adding new values to their steel and aluminum products. Second, it is to make innovations by both incubating competitive products, and as a means of establishing new businesses in the diversification of the CSC Group.

CSC's structure in future

Earlier literature (e.g. Habib & Victor 1991) examined the 'strategy-structure fit' and generally supported that organization structure is supposed to be aligned and consistent with the theoretical fit prescription for the kind of strategy the company is pursuing. Although challenge exists in the generalizability of the notion of 'structure follows strategy', the deliberate design and continuous refinement of CSC's organizational structure will certainly help CSC maintain its international competitiveness. The smooth-functioning of the structure also enables CSC's human resources to be more competent and willing to make breakthroughs and innovations. They have all played major roles in making CSC an exemplar in the steel business.

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