



The Enterprise Organizational Structure Change Strategy in Internet Times

Zitian Xu

School of Business, Linyi Normal University

Linyi 276000, China

Tel: 86-539-206-0713 E-mail: chixzt@163.com

Abstract

As the most dynamic business model in the 21st century, Electronic commerce has brought enormous opportunities and challenges for the enterprise development and growth. This article has analyzed the traditional enterprise organizational structure limitations and the requirements of enterprise organizational structure by e-commerce, proposed enterprise organizational structure strategic orientation in Internet times.

Keywords: Internet, E-commerce, Organizational structure, Networks

The development of the Internet has changed the laws of economic development and market mechanism. Electronic commerce causes competitive space of enterprises to shift gradually from the traditional marketplace to the network marketplace, the marketing way also changes from traditional marketing towards online marketing. The customers can search more comprehensive and perfect product and price information through the Internet. Compared to the past, now they have the bigger market power. In Internet era, companies are faced with a more volatile environment, increased fierce market competition, more discerning and nitpicking customers. In order to adapt to changes in the external environment, businesses need to change the traditional organizational structure to deal with the impact and challenges which e-commerce brings.

1. The limitations of the traditional enterprise organizational structure

The traditional enterprise organizational structure pattern, the pyramid-shaped, top-down control model, appears in the industry economy times. It is the management organization pattern which based on the tradition organizational structure theory, has the features like well-structured, clear hierarchical division of labor, easy to monitor, etc. But along with the Information networking, economic globalization advancing, market competition aggravating, the drawbacks of the traditional organizational structure has become increasingly exposed:

1.1 Many management agencies and large personnel

The traditional organization mainly increases the management levels to solve the enterprise size expansion. But along with increasing levels of management, organization will inevitably become bloated and overstaffed, which resulting the rise of the business management cost, causing the wrangle of the different departments responsibilities and obligations, lowering management efficiency. So the enterprise will finally lack the prompt adaptiveness to the fast-changing market environment.

1.2 Difficult Inter-sectoral linkages and coordinations

The division of labor results in the ego idea between various functional departments which obtain the limited resources from the common higher authority. There is a kind of competitive relationships between them. They will meticulously plan their own action, which often causes the department goal to dominate above the enterprise general objective. Due to the existence of internal conflicts and contradictions, crosswise exchange between the various departments is also very limited; coordination has become increasingly difficult with the expansion of size.

1.3 Poor transmission and exchange of information

The traditional enterprise information channel is unitary. The information flowing is mainly longitudinal and passive. The information communication channel extension causes the information transmission time increase as well as the information distortion and management vacuum possibility. The enterprise high-level decision-making usually takes a number of intermediate links to implement it, resulting in the high decision information cost and bad information accuracy. So the policy-makers will be unable to make the rapid reaction.

1.4 Inhibiting the creative staff.

As a result of the concentration of power in the upper deck, the subordinate independency is small and the participation

in decision-makings is limited. The stern organization and the strict division of labor caused the staff to turn into the “robot”, unable to display its enthusiasm and the creativity freely, restricting the realization of “humanist” management idea in business.

2. The requirements of enterprise organizational structure in Internet era

Internet causes enterprise's competition to enter non-boundary competition times; the traditional enterprise organization pattern is very difficult to adapt the e-commerce businesses. E-commerce sets new requests to the enterprise organizational structure:

2.1 Rapid organization responson

In Internet era, enterprises are faced with the consumers who pursuit diversified and personalized demands as well as the ever-changing market. Therefore, the enterprise must have the nimble organization and the decision system to adapt such fast change. The contemporary enterprise should make full use of network resources, remove away traditional enterprise middle link parts by using the modern network technogy, change traditional policy-making management pattern, simplify administrations, streamline business processes, to create a learning-oriented organizational structure and enhance decision-making ability and rapid responsive capability.

2.2 Timely and accurate information communication

In the traditional organization, the information layer-to layer delivery delays fast decision-making and rapid responsiveness. The age of electronic commerce, management communication capacity and management span grew doubled and re-doubled with the aid of information technology. Enterprises can reduce the management levels to achieve a flat organization and networking which accelerating the speed of information transmission and power decentralization. Therefore, we must establish and improve internal and external organizational communication networks, enable businesses to freely access to accurate, timely, multi-channel information of decision-making.

2.3 Conducive to the integration of internal resources

Under electronic commerce condition, enterprises carrying out activities in an effective way should fully use and integrate internal personnel, financial, physical, technical, time, information and other types of resources. With the personalized and diversified consumer demands, business competition focuses on innovation, responsive speed, customized products, customized services and so on. Enterprises should use flexible organizational structure which based on the goal or project.

2.4 Effective use of external resources

Any enterprise's resources is limited, enterprise's development need to use external resources. Therefore, enterprises should perfect enterprise external resources networks such as customers, technical, project, human, production factors by developing electronic commerce fully, establish a win-win cooperation organizational system based on responsibility, rights and benefits which is flexible and virtual.

2.5 Promoting staff's learning and innovation

Learning and innovation capacity of enterprises is a measure of enterprise's core competitiveness. Therefore, the organizational structure should be conducive to staff learning and growing needs, enhance employee participation and collaboration between them, and create a kind of independent, innovative, collaborative working atmosphere. So enterprises should implement the decentralization of decision-making, turn the highly centralized decision-making model into the decentralized multi-center decision-making model, and promote the staff and enterprise's common growth.

3. Enterprise organizational structure strategic orientation in Internet times

The information revolution is changing the human society, also changing the enterprise's organization and mechanism. The development of Internet will further changes of organizational structure.

3.1 Set up the brand-new business strategic thinking based on the Internet

E-commerce is a kind of new competitive strategy based on the Internet and information technology and increasingly become a source of competitive advantage. With the development of e-commerce, complete traditional organizational model lose the reasons which continue to exist. Therefore, companies must break through the original strategy ideology mode, clearly locate their role in e-commerce environment, and guide the development of enterprises with new business strategies. In order to achieve the flexibility of organization, many of today's enterprises are re-adjusting the enterprise and market boundary through the implementation of the Internet strategy. The organizational structure be adjusted accordingly, so that the enterprise can concentrate on developing the core business and reduce the size, enhance the adaptability and resilience. For example, General Electric Company, through reforming borderless operations, reduces the bureaucratism and hierarchical system which harm management greatly, and gain new competitive advantage.

3.2 Integrate enterprise business processes by using the information technology

Businesses can use network and information technology, starting from the development strategy, implement the core business process reengineering to break the traditional boundaries of functional departments, establish a rational system of business processes and operations, turn gradually enterprise management focus from the functional operation of the production, marketing, financial management, human resources management to of customer relationship management, supply chain management, strategic partnership management. Businesses should create higher value for current and potential enterprise customers, establish a more coordinated and effective relationship among the whole value chain of customers, suppliers, distributors, and partners, to lead the entire chain's value growth. For example, Wal-Mart has pioneered the use of computer networks and e-commerce activities to cooperate with Procter & Gamble. So two companies work closely together, which lower two company's stock levels and the logistics cost greatly, has molded the new competitive advantage.

3.3 Carry out networking strategy, establish the enterprise strategy networks

Enterprise may realize competitive edge by cultivating and applying networks. Enterprise needs to know the network category is going beyond the general scope of the network. The network is not technical terms. It not only includes business IT application activities, but also includes the hybrid forms of business organizations operation.

Enterprises can build dynamic, networked, virtual organization from internal and external. In-house, establish flat organizational structure through reducing or eliminating intermediate-levels and regrouping resources portfolio, apply various teams which adjust rapidly to changes in the external environment, and try to meet external diversified customers; Outside the enterprise, build a "virtual" "solid" combined network organization by using the Internet, supply chain and capital markets. "Virtual" means to form the business relationships with others through production outsourcing, sales outsourcing, R & D outsourcing, strategic alliances, and network marketing and so on. "Actual" refers to form an ego-centered, time-space crossing, customer-oriented virtual enterprise under the help of strong corporate brand and operation capacity, advanced management capabilities, efficient management information system, etc.

3.4 Introduce and use work groups and teams in organization

In order to enhance the ability adapting changes in the external environment and the organization competitiveness, enterprises should form stable or ad-hoc "process" or "network" teams. Team organization eliminate the shortcomings of the pyramid, which is difficult in inter-departmental communication, meticulous division of labor, slow decision-making, inferior flexibility, and create a kind of independent, innovative, flexible, cooperative working atmosphere. At present, team has become, in many large companies (especially high-tech enterprises), the preferred form of internal organization. The cross-functional team members from different backgrounds and with different skills often have a sense of equality, involvement and responsibility, which can greatly glow the worker's innovative spirit. Through team-building, it is not only conducive to train talented persons, but also create learning organization through the knowledge transferring or sharing in the enterprises.

References

- Liu, Yezheng. (2007). *Introduction to E-Commerce*. Beijing: Higher Education Press. (Chapter 1).
- Stephen , P , Robbins. (2004). *Management*, (7th ed.). Beijing:Renmin University Press. (Chapter 10).
- Zhang, Shumei, & Fen, Hua. (2004). Study about the e-commerce impacts on organizational structure and management style innovation. *Journal of Shandong Economy*, 7, 71-74.
- Zhou, Sanduo. (2005). *Management*, (4th ed.). Shanghai: Fudan University Press. (Chapter 13).