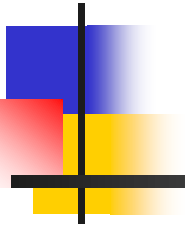


Strategic Design Perspective for Analyzing Organizations



Session 5 Agenda

- Review Design Options
- Dynacorp Case: Your team is the consultant!

Strategy and Organization Design



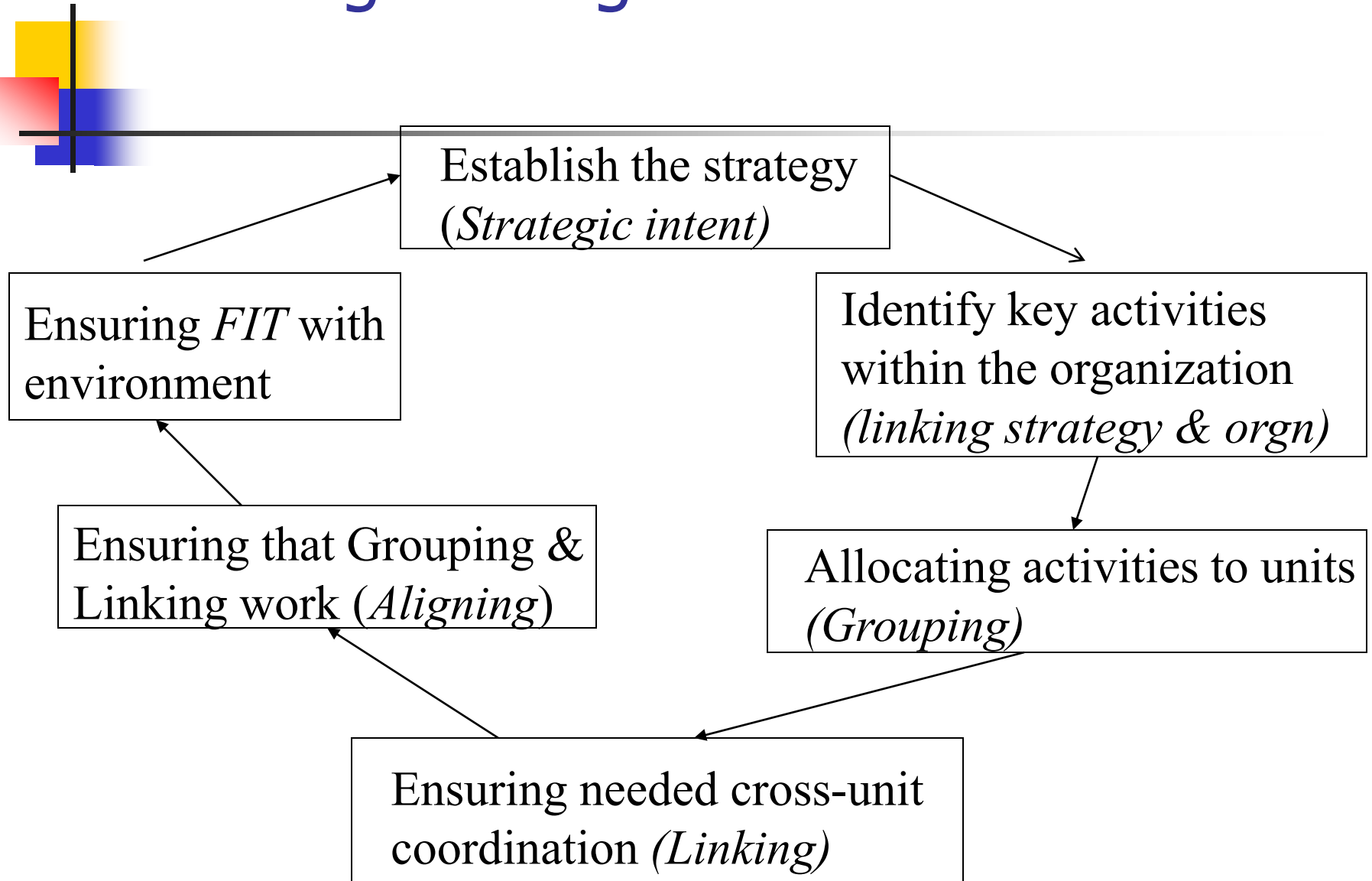
- Remember Chandler's Dictum:
- STRATEGY → STRUCTURE
- Sometimes the reverse is true:
 - Capabilities perspective: structure also shapes strategy: capabilities-based diversification (Honda engines), "competency traps"
- **In reality, Strategy and Organization co-evolve**



Strategic Design - Key Concepts

- **Grouping**: drawing the boundaries of the organization and boundaries of subunits around activities within the organization
- **Linking**: building information flows between interdependent units within the organization, and with key external organizations
- **Aligning**: ensuring that subunits and people have the resources and motivation to carry out the activities assigned them in linking and grouping

Strategic Design Processes





How do you “map” Grouping?

- List of officers (provides titles; org charts)
- Annual reports of financial performance by business area
- Ask: Who reports to whom?

Common Grouping Options



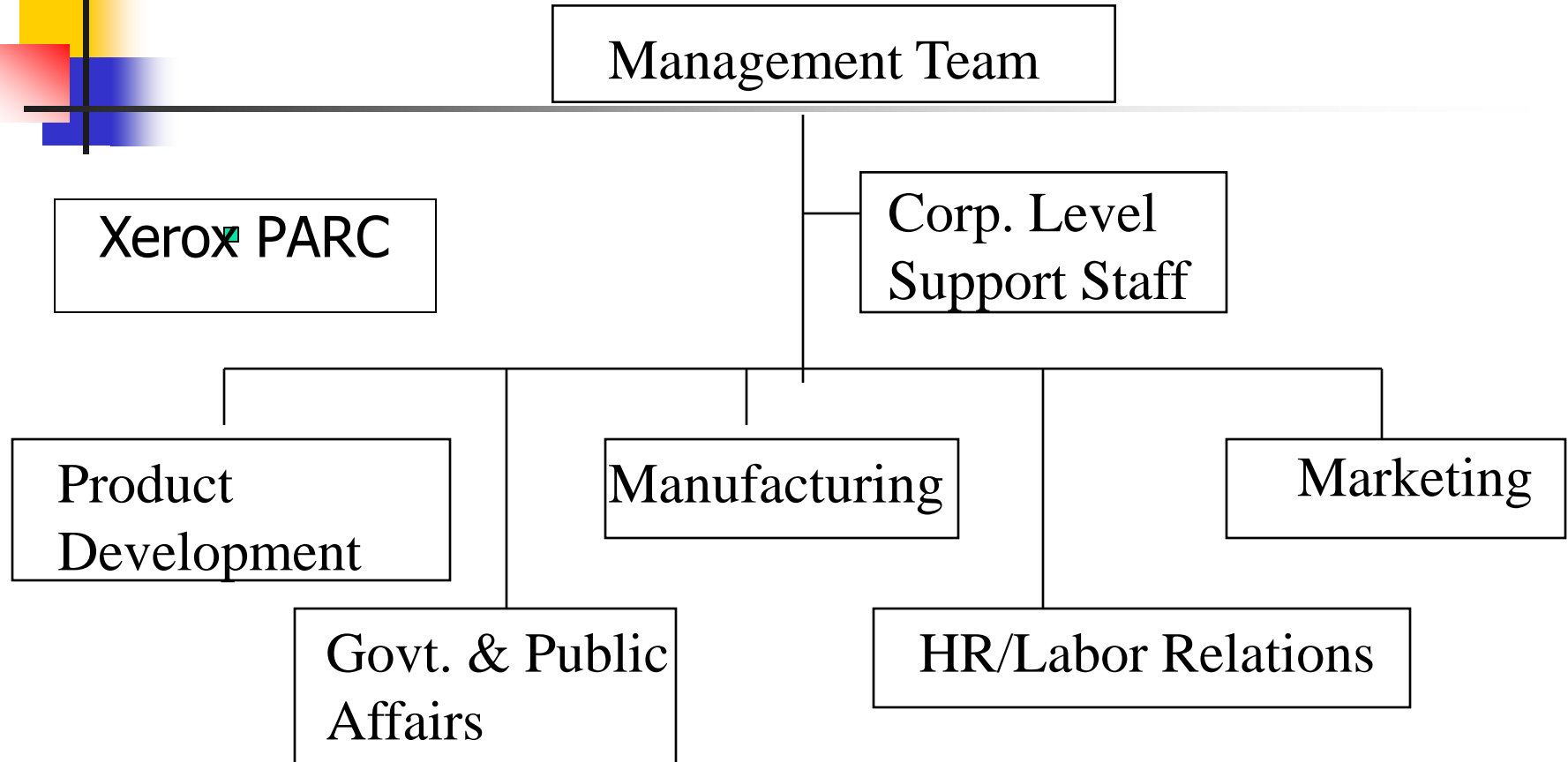
Basic Options:

- Function (Activity)
- Business Unit (Product or technology)
- Customer (Market, geography, or segment)

Hybrid Structures:

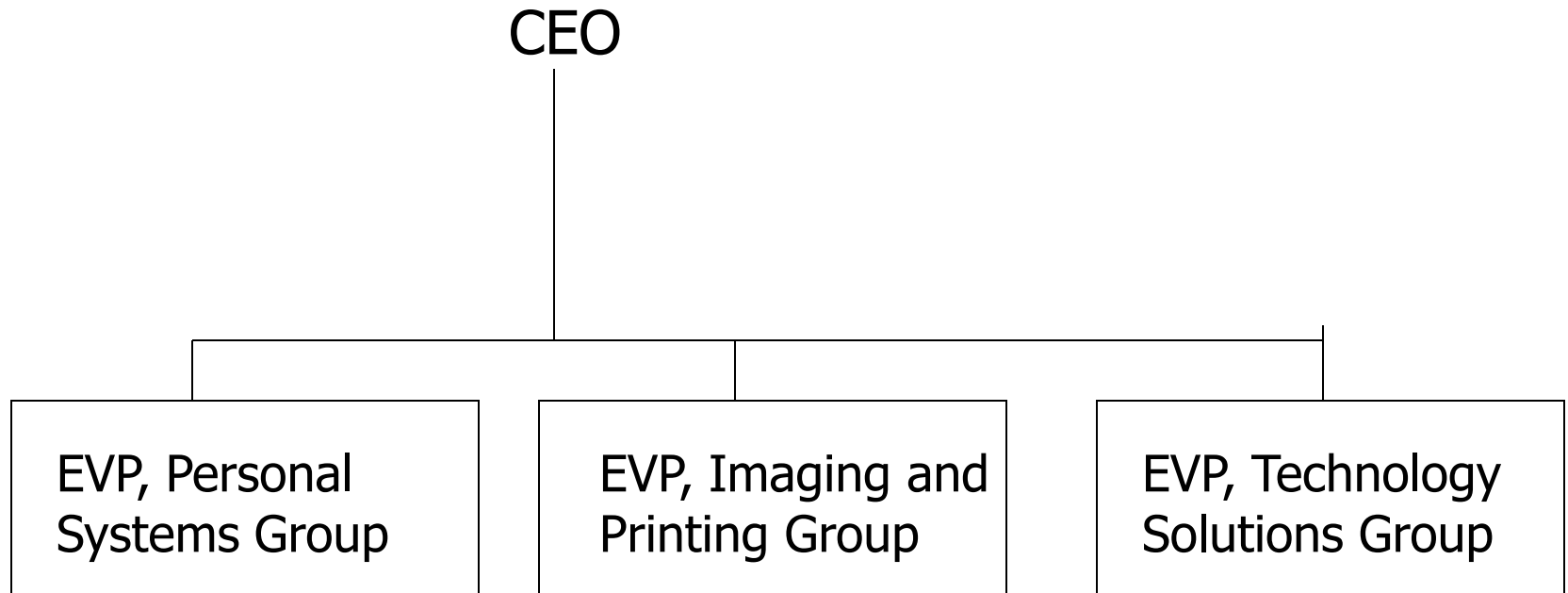
- Matrix
- Front end/Back end (Customer interface/R&D, Manufacturing...Support Staffs)

Functional Grouping Structure: Xerox in the 1980s-90s



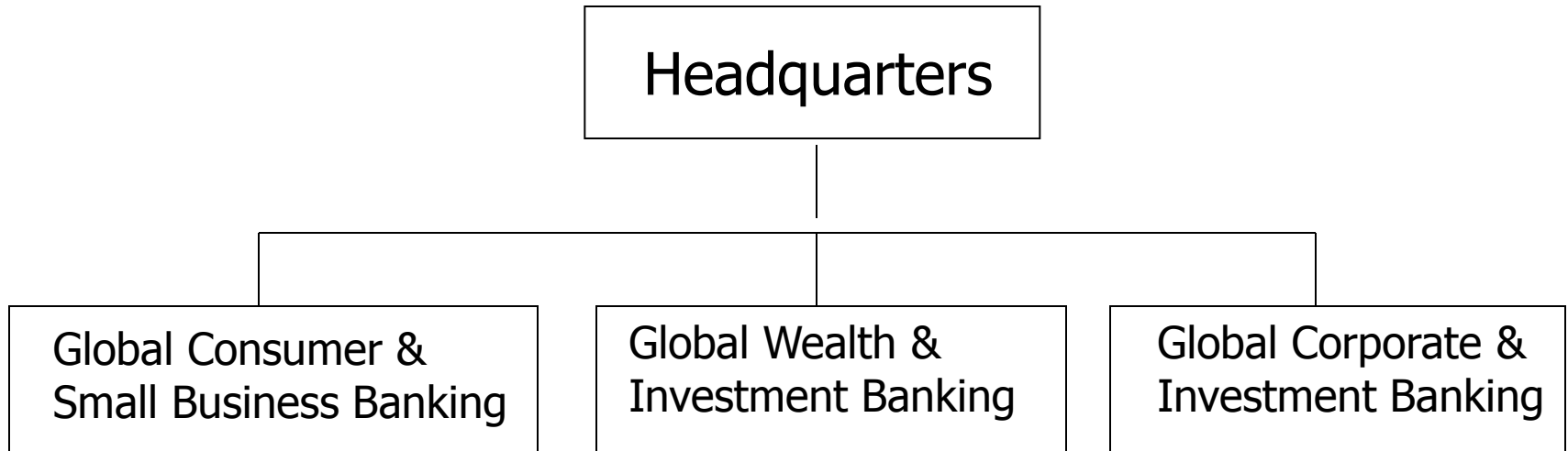


Business Unit Structure: HP



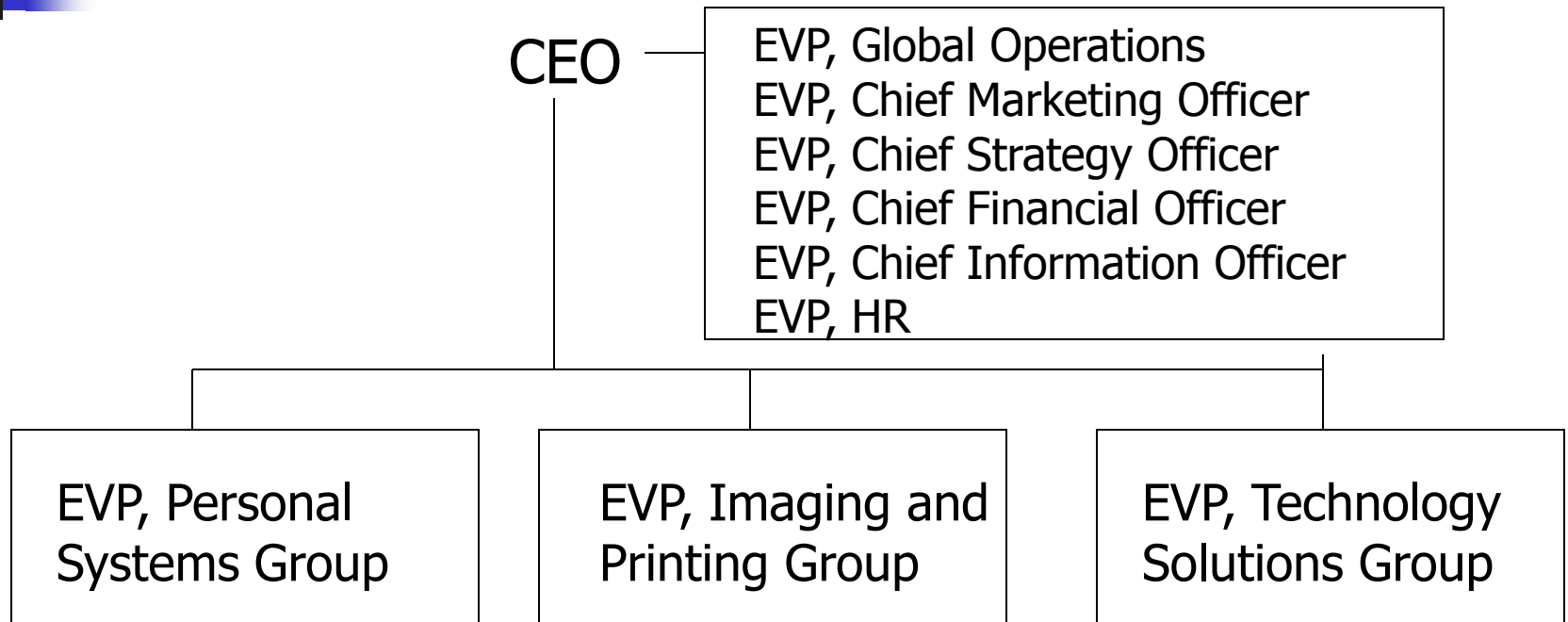


Customer Organization: Bank of America

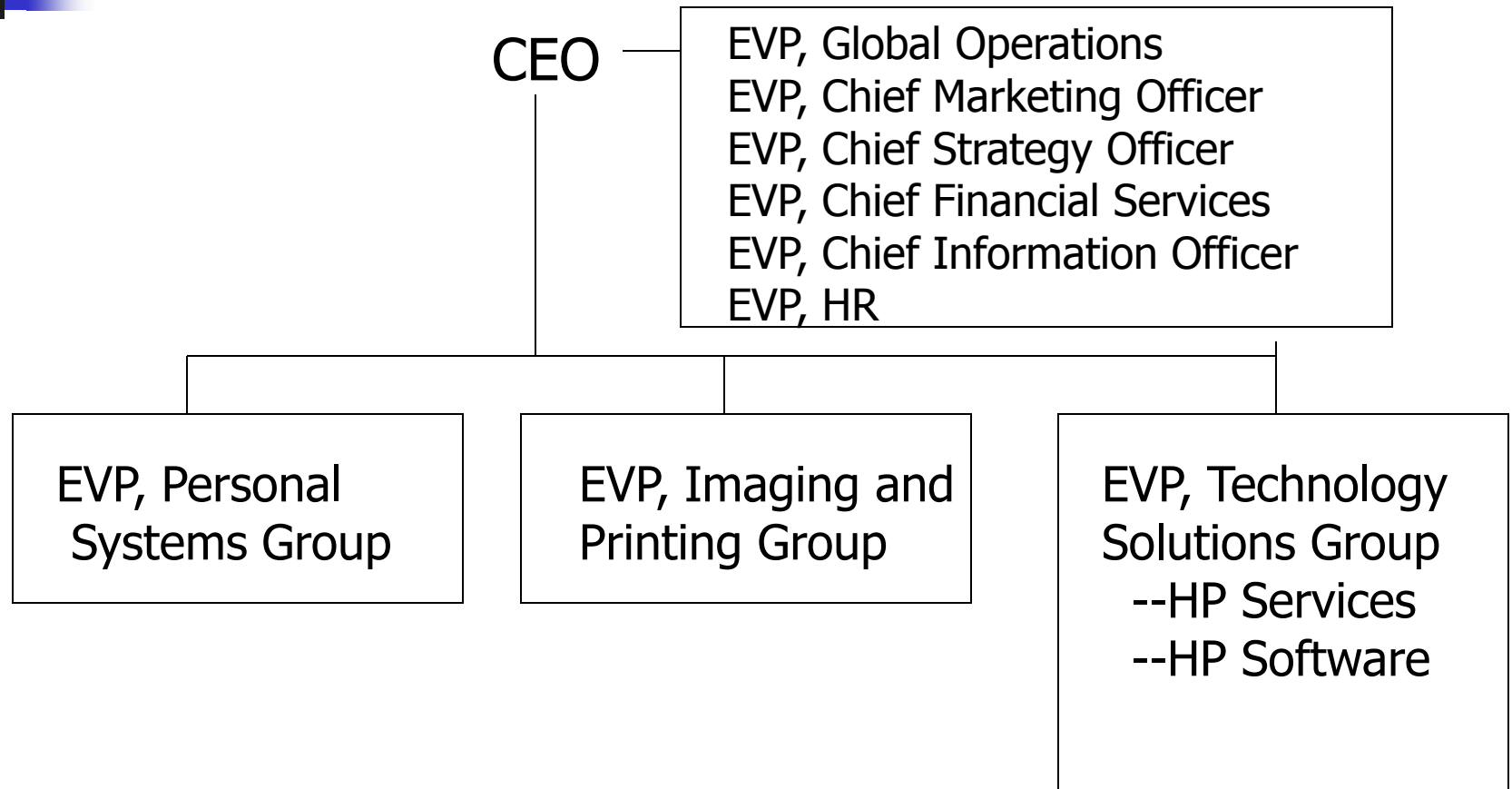




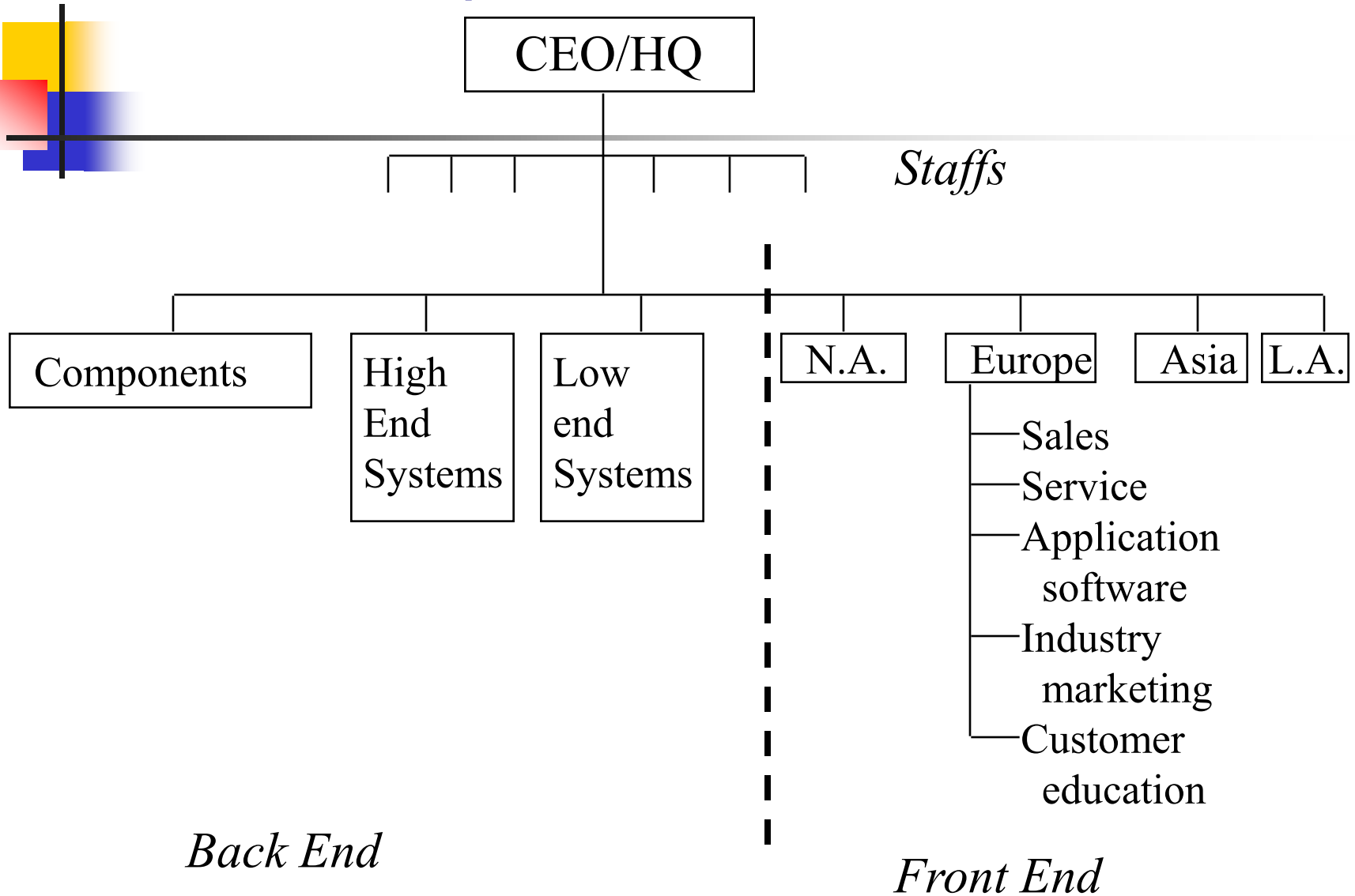
Business Unit Structure Matrixed: HP



HP after Compaq and other Mergers/Acquisitions (2010): Still Matrixed; Shuffling of Business Units



Front-end/Back-end Structure

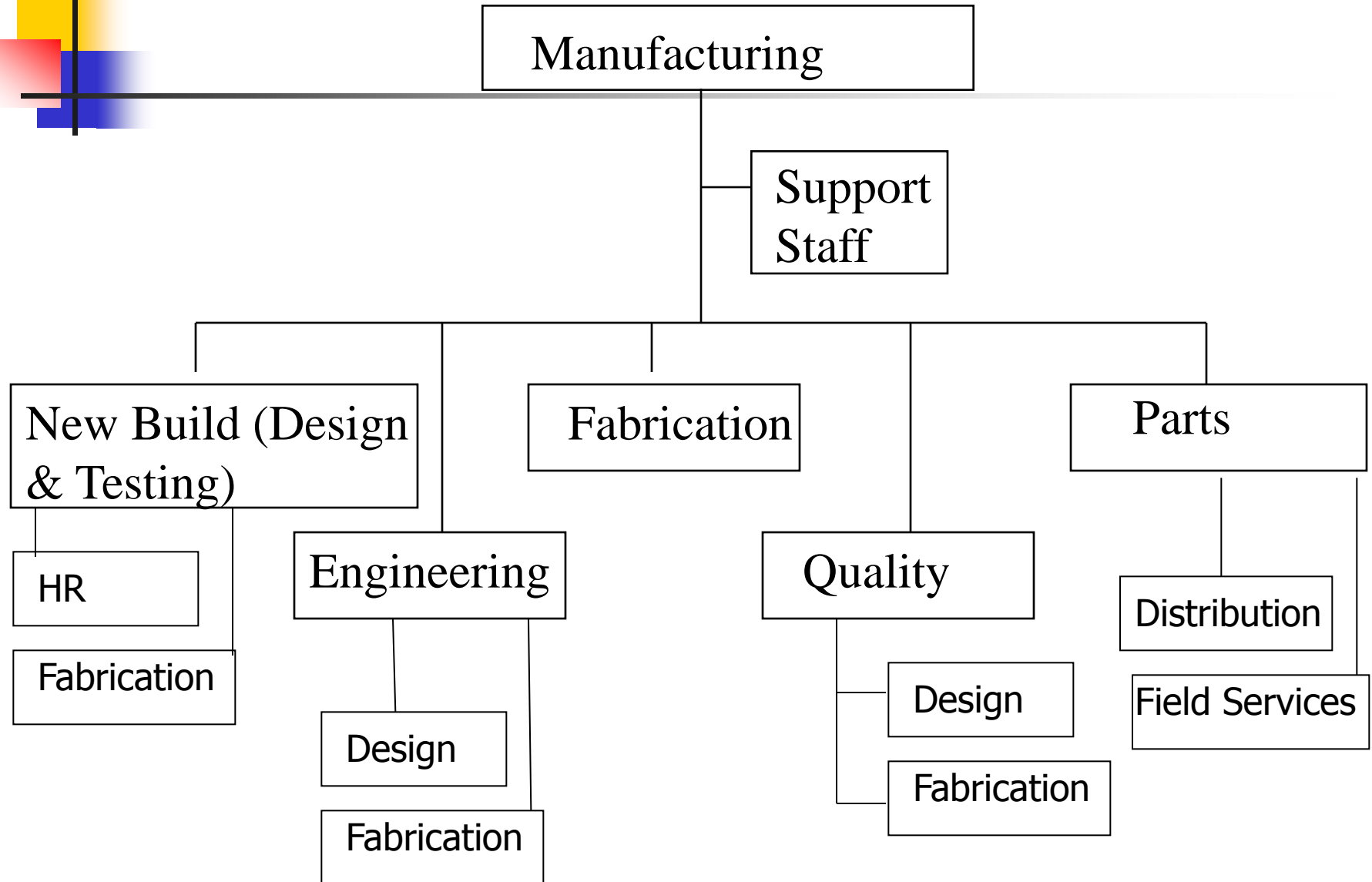




Challenges of Design

- Grouping is not just a decision about first-order design – what is the second-order grouping variable?
 - The same as the first-order?
 - Alternative (e.g. function under business unit)
- ...And third-order (“architecting down” and “architecting up”)

Functional Grouping Structure: Second-Third Level-Xerox



Key Linking Mechanisms

Formal reporting structures (e.g. “dotted line” reporting)

- Liaison roles (information conduit -- e.g. “community of practice leader” at Xerox)
- Integrator roles (ensuring information sharing - e.g. “core technology champion” at HP, Apple???):
 - Intel’s “Copy Exactly!!”
 - MIT Faculty Chair—this is a lot of what I do!
- Permanent cross-unit groups: (e.g. Technology Councils)
- Temporary cross-unit groups (***e.g. project teams, regular meetings—you will be in many of these!!!***)

Key Linking Mechanisms (cont'd)



- Information technology systems (e.g. shared data bases, shared CAD tools)
- Planning processes (e.g. scenario building)
- Co-location (e.g. moving marketing into the same building as R&D)
- Temporary cross-unit postings of people
- Making Personal Linkages: “Filling Black Holes”



Key Alignment Mechanisms

- Performance metrics
- Rewards and incentives—economist's solution!!
- Resource allocation—never miss a budget meeting!!
- Human Resource Development (recruitment, training, tracking, planning)—when in doubt, train!
- Informal systems and processes—personal networks



Dynacorp: Consultant Deliverables

(1) WRITE ON YOUR WHITE BOARD

(2) SUBMIT A MEMO TO CEO GREYSTONE

- What are Dynacorp's key strategic problems?
- Vote on Recommended Structure (List top 2 & number of votes for each)
- For your top recommendation:
 - How will you assure Linking?
 - How will you assure Alignment?



Design Options for Dynacorp

1. Go back to functional
2. Product Divisions
3. Customer Division
4. Function/Product Matrix
5. Front/Back



“Lessons” from Dynacorp

- Grouping alone will not solve strategic and organizational problems
- Every structure (grouping) has strengths and weaknesses; linking and aligning can help leverage the strengths and mitigate the weaknesses
- Linking and aligning tools are essential to make the grouping work
- Too often grouping is done first and then thinking begins about how to assure linking & alignment: So a key takeaway:

CONSIDER ALL THREE ASPECTS OF STRATEGIC DESIGN WHEN ANALYZING STRUCTURES OR WHEN CONTEMPLATING RESTURCUTRING!



Remember First Course Requirement Milestone

- Ses #7: paragraph identifying your chosen organization and why it interests you
- One week to do some exploring:
 - Google
 - Sloan and MIT sources
 - Professors in your major – their contacts, their ideas about interesting organizations

MIT OpenCourseWare
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15.668 People and Organizations

Fall 2010

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