Two key messages

- There are patterns in organizational design.

- Organizational design is changing.
There are patterns in organizational design

• If you learn the common patterns, you don’t need to keep rediscovering them.

• Companies that apply them well can gain significant strategic advantage.
Organizational design is changing

• New, often more decentralized, patterns are becoming increasingly desirable.

• You will probably have opportunities in your career to invent or apply new organizational design patterns.
Question

• How much of the intelligence of people throughout an organization can we use in a decentralized organization?
What will this course include?

- Introduction
- Designing organizations for strategic goals
- Conclusion
What is strategic organizational design?

• What does it mean?

• How is it “strategic”?

• How is it “organizational”?

• How is it “design”?
Three lenses for analyzing organizations

• Strategic design
  – How can people configure organizations to achieve goals?

• Political
  – How do different stakeholders use power to achieve their goals?

• Cultural
  – How do “we do things around here”? How do attitudes, beliefs, and symbols shape the meanings people assign to situations?
Three lenses for analyzing organizations

- **Strategic design**
  - How can people configure organizations to achieve goals?

- **Political**
  - How do different stakeholders use power to achieve their goals?

- **Cultural**
  - How do “we do things around here”? How do attitudes, beliefs, and symbols shape the meanings people assign to situations? What values does the organization embody?
A definition

Strategic organizational design--

- Configuring the *formal elements* of organizations
  (including structures, processes, incentives, contracts, and systems)

- to achieve specific *goals*

- in specific *environments*
  (including external competitors and internal culture and politics)
How is strategic organizational design “strategic”?

• To design an organization well, you need to know the organization’s goals and strategy.
  – Organizational design is about translating vision and strategy into reality.

• Often, organizational design is at the heart of strategy.
  – Products alone are not the source of sustainable competitive advantage.
  – What is?
Two main routes to competitive advantage

- Position
- Capabilities

How is organizational design related to competitive advantage?

- Organizational design is usually essential to advantage based on capabilities.

- Capabilities (and organizational design) can help create (or destroy) advantage based on position.

- In summary:
  - Organizational designs have to emphasize some things and not others.
  - They should emphasize the things that give sustainable competitive advantage.
How is strategic organizational design “organizational”?  

- Organizational design involves how to organize work:  
  - Grouping  
  - Linking  
  - Aligning
| Strategic Organizational Design | Composition of organizational units  
|                               | Reporting relationships among internal units  
|                               | Contractual relationships with key external units  
|                               | Other structural connections among units (including key management and other processes)  
|                               | Organization-wide systems for information, measurement, incentives, control, and recruiting  
| Operational Design            | Subunit work flows, processes, and resources (tools, materials)  
|                               | Subunit reward systems  
|                               | Subunit physical work environment  
|                               | Individual job design  

Organizational design is a powerful organizational tool

- Organizational design is one of the few levers for change available to most managers.
  - Changes in strategy, people, culture are usually more limited or more difficult.

- It has the potential to massively change performance.

- It grabs attention.

How is strategic organizational design “design”?

- Design is about how to combine elements to achieve goals.
  - Not just how to describe or predict or analyze things

- Design involves tradeoffs.
  - No one best answer for all situations.

- Design involves invention and innovation.
  - Creating new possibilities, not just analyzing or selecting among predefined options
Conclusions

• If you know how to recognize and apply classic patterns of organizational design, you’ll be better able to implement strategies effectively in many situations.

• If you know how to effectively invent or apply innovative organizational designs, you may be able to make this a key element of your whole strategy.
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