People & Organizations

Evolution of The Modern Business Enterprise

Session 4

Agenda

- Understand Differences between Chandler-like & Powell-like Organizations
- Identify personal skills needed to thrive in and manage modern organizations
- What have we learned from the “Great Recession”?
Changing Face of Organizations

• Late 1800s: Large Trusts (Who was the most famous “Trust Buster”?)

• Early-Mid 1900s: Multi-divisional vertically integrated firm

• 1960s-70s: Conglomerates (horizontal diversification)

• 1980s: Leveraged buy outs-hostile takeovers

• 1990s: Narrow focus to core competencies—outsource non-core work

• 2000: Off-shore to China whatever possible

• 2006: Growth of Private Equity

• 2008 and beyond: What will we learn from the “Great Recession”?
Two Perspectives on Transformation of Modern Business Enterprise

• Alfred Chandler: 1962 classic book: *Strategy & Structure* research on the large U.S. business *firms* from late 19th through mid 20th century—duPont, GM, Sears, Standard Oil...

• Woody Powell 2001: based on two decades of sociological research (on publishing *industry* early 1980s, bio-technology *industry* from the late 1980s)

• Both on MIT faculty at one time
What are the key differences in their two models? Similarities?

- Strategies?
- Structures?
- Other Features
What factors led to emergence and supported these two models?

• What role is played by:
  – Changing markets?
  – Technological Innovations—which ones?
  – Government actions/policies?
  – Decisions/Strategies of executives/ top managers?
  – External actors/institutions?

• Given answers above, how much choice did/does an enterprise have in adopting the “new” form?
How did/do these organizational models affect your family? How are they likely to affect you?

- Your grandparents worked in Chandler’s era, some of your parents experienced the transition from Chandler’s to Powell’s era.

- Do their models ring true, based on your own family’s experience?

- How many parents experienced the transition? How did it affect them?

- Do you expect to live in Chandler’s model or Powell’s, or something different?
From Chandler to Powell

- Individual jobs → Project teams
- Sequential design-production → simultaneous
- Core competency: scale, technology → knowledge
- Power through size → power through learning
- Job security through seniority → volatility, uncertainty
- Hierarchy → networks
- Internally funded growth → venture capital markets
- Firm led R&D → R&D partnerships → universities as players
What individual skills/capabilities are most needed in Powell’s model?

• What skills/capabilities does an effective top manager need?

• What skills/capabilities might you need to succeed in this world of work?—Let’s revisit your lists from last week—
What’s needed from other institutions?

- Government?
- Universities?
- Professional associations?
- International Agencies?
- Others?
What have we learned from the “Great Recession??
“Take Aways”

• Both Chandler and Powell-like organizations continue to exist—food for thought about picking an organization:
  – In considering job options—which is more compatible with your career aspirations/expectations?
  – Picking an org to analyze for your class paper

• Neither model is stable—the evolution of org forms is neither ended nor completely outside control of decision-makers
  – Founders of new firms can shape the future!!
  – Govt. policies can influence
  – You can make a difference!! To do you will need:
    • Skills to manage in both types of settings
    • A n analytic framework for understanding-reading the organization setting you are in

• That’s where we go next—three lenses for analyzing organizations
Previewing: Three Lenses for Analyzing Organizations

- Strategic design: new architecture – project as key unit of design, “fuzzy” boundaries

- Political: empower the “front line” of organization, recognize multiple stakeholders

- Cultural: new vision/rhetoric, different framework for identity
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