Strategic Design Perspective for Analyzing Organizations

Session 5
Agenda

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

Establish the strategy *(Strategic intent)*

- Ensuring \textit{FIT} with environment
- Ensuring that Grouping & Linking work *(Aligning)*
- Ensuring needed cross-unit coordination *(Linking)*
- Identify key activities within the organization *(linking strategy & orgn)*
- Allocating activities to units *(Grouping)*
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

Management Team

Corp. Level Support Staff

Product Development

Govt. & Public Affairs

Manufacturing

HR/Labor Relations

Marketing

Xerox PARC
Business Unit Structure: HP

CEO

- EVP, Personal Systems Group
- EVP, Imaging and Printing Group
- EVP, Technology Solutions Group
Customer Organization: Bank of America

Headquarters

- Global Consumer & Small Business Banking
- Global Wealth & Investment Banking
- Global Corporate & Investment Banking
Business Unit Structure Matrixed: HP

CEO

- EVP, Global Operations
- EVP, Chief Marketing Officer
- EVP, Chief Strategy Officer
- EVP, Chief Financial Officer
- EVP, Chief Information Officer
- EVP, HR

- EVP, Personal Systems Group
- EVP, Imaging and Printing Group
- EVP, Technology Solutions Group
HP after Compaq and other Mergers/Acquisitions (2010): Still Matrixed; Shuffling of Business Units

CEO
- EVP, Global Operations
- EVP, Chief Marketing Officer
- EVP, Chief Strategy Officer
- EVP, Chief Financial Services
- EVP, Chief Information Officer
- EVP, HR

EVP, Personal Systems Group
EVP, Imaging and Printing Group
EVP, Technology Solutions Group
  --HP Services
  --HP Software
Front-end/Back-end Structure

- CEO/HQ
- Components
  - High End Systems
  - Low End Systems

Back End

Front End

Staffs

- N.A.
  - Sales
  - Service
  - Application software
  - Industry marketing
  - Customer education

- Europe
- Asia
- L.A.
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”)


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 RESTRUCTURING!
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
15.668 People and Organizations
Fall 2010

For information about citing these materials or our Terms of Use, visit: http://ocw.mit.edu/terms.