Organizing for the Future

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Strategic Management Framework

- **Strategy**
  - Technology
  - Globalization

- **Structure**
  - New Organization Forms

- **Processes**
  - Business Process
  - Processes
  - Activities

- **Performance**
  - Control & Reward Process
  - Benchmarking
  - Activity-Based Costing
  - Balanced Scorecard

- **Culture**
# The Value-Adding Corporation: Matching Structure with Strategy

## Structure and Growth Alignment

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Growth</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single business</td>
<td>Internal</td>
<td>Functional</td>
</tr>
<tr>
<td>Related diversification</td>
<td>Internal</td>
<td>Divisional</td>
</tr>
<tr>
<td>Unrelated diversification</td>
<td>Acquisition</td>
<td>Holding company</td>
</tr>
</tbody>
</table>

## Strategy, Structure, Centralization, Staff, and Staff Role

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Structure</th>
<th>Centralization</th>
<th>Staff</th>
<th>Staff Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Functional</td>
<td>High</td>
<td>Small</td>
<td>Policy</td>
</tr>
<tr>
<td>Related</td>
<td>Divisional</td>
<td>Moderate</td>
<td>Large</td>
<td>Policy/Review</td>
</tr>
<tr>
<td>Unrelated</td>
<td>Holding company</td>
<td>Low</td>
<td>Small</td>
<td>Service</td>
</tr>
</tbody>
</table>

## Strategy, Control Data, and Type of Control

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Control Data</th>
<th>Type of Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Cost</td>
<td>Operational</td>
</tr>
<tr>
<td>Related</td>
<td>Profit</td>
<td>Strategic</td>
</tr>
<tr>
<td>Unrelated</td>
<td>Investment</td>
<td>Financial</td>
</tr>
</tbody>
</table>

## Strategy, Compensation, Variable, Bases, Measures, and Career

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Compensation</th>
<th>Variable</th>
<th>Bases</th>
<th>Measures</th>
<th>Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Company</td>
<td>Low</td>
<td>Company</td>
<td>Subjective</td>
<td>Company</td>
</tr>
<tr>
<td>Related</td>
<td>Company</td>
<td>Medium</td>
<td>Division/Company</td>
<td>Subjective/</td>
<td>Company</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Objective</td>
<td></td>
</tr>
<tr>
<td>Unrelated</td>
<td>Industry</td>
<td>High</td>
<td>Division</td>
<td>Objective</td>
<td>Division</td>
</tr>
</tbody>
</table>

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## Policies Contrasted for Two Diversified Models

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Related</th>
<th>Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Divisional</td>
<td>Holding company</td>
</tr>
<tr>
<td>Centralization</td>
<td>Moderate</td>
<td>Low</td>
</tr>
<tr>
<td>Staff</td>
<td>Large</td>
<td>Small</td>
</tr>
<tr>
<td>Staff Role</td>
<td>Policy/Review</td>
<td>Service</td>
</tr>
<tr>
<td>Control</td>
<td>Profit center</td>
<td>Investment center</td>
</tr>
<tr>
<td>Control type</td>
<td>Strategic/Financial</td>
<td>Financial</td>
</tr>
<tr>
<td>Compensation</td>
<td>Company</td>
<td>Industry</td>
</tr>
<tr>
<td>Percentage variable</td>
<td>10-30%</td>
<td>50% or more</td>
</tr>
<tr>
<td>Measures</td>
<td>Subjective/Objective</td>
<td>Objective</td>
</tr>
<tr>
<td>Careers</td>
<td>Company</td>
<td>Division</td>
</tr>
</tbody>
</table>
## New Forms of Corporate Organization: Corporate Strategy and Organization

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Single</th>
<th>Dual</th>
<th>Related</th>
<th>Mixed</th>
<th>Unrelated</th>
<th>Unrelated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizatio n</td>
<td>Functional</td>
<td>Front/Back</td>
<td>Divisional</td>
<td>Cluster</td>
<td>Holding</td>
<td>LBO</td>
</tr>
<tr>
<td>Diversity</td>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value-Added</td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Emerging Front-End/Back-End Model: IBM’s Front-Back Structure

IBM’s Customer-Product Structure

Client/Server Computing
R&D | Manufacturing | Marketing

Financial Services
Sales | Service

Personal Computers
R&D | Manufacturing | Marketing

Retailing
Sales | Service

Storage Products
R&D | Manufacturing | Marketing

Consumer Goods
Sales | Service

GE’s SBU Structure

Jet Engines
- R&D
- Manufacturing
- Marketing
- Sales
- Service

Major Appliances
- R&D
- Manufacturing
- Marketing
- Sales
- Service

Medical Electronics
- R&D
- Manufacturing
- Marketing
- Sales
- Service

Mirror Image Structure: Hybrid Functional/Geographical Structure with Functional Integrators and Teams

General Manager

Human Resources
- Purchasing
- Operations
- Marketing
- Finance

Finance
- Purchasing
- Operations
- Marketing
- Human Resources
- Finance

Operations
- Purchasing
- Operations
- Marketing
- Human Resources
- Finance

Marketing
- Purchasing
- Operations
- Marketing
- Human Resources
- Finance

Central region
Northern region
Southern region

Functional cross-geographical teams
Mirror Image Structure: Hybrid Structure Plus with Product Teams

- General Manager
  - R&D
  - Operations
  - Marketing
  - Human Resources
  - Finance

- New product teams

- Purchasing
  - Northern region
    - Purchasing
    - Operations
    - Marketing
    - Human Resources
    - Finance
  - Central region
    - Purchasing
    - Operations
    - Marketing
    - Human Resources
    - Finance
  - Southern region
    - Purchasing
    - Operations
    - Marketing
    - Human Resources
    - Finance

- Central region
  - Purchasing
  - Operations
  - Marketing
  - Human Resources
  - Finance

- Southern region
  - Purchasing
  - Operations
  - Marketing
  - Human Resources
  - Finance
Hybrid Structure for Financial Services

Front-Back Linkage: Regional Teams

- General Manager
  - Finance
  - Human Resources
  - Corporate Development
    - Insurance
    - Mutual Funds
    - Certificates
    - Field Units: Sales & Marketing
      - Product marketing
      - Manager
        - Segment marketing
          - Financial consultants
            - Midwest
            - Northeast
            - South
            - West
            - Canada
  - Marketing Council
    - Product marketing
      - Midwest
      - Northeast
      - South
      - West
      - Canada
  - Regional Teams
    - Customer Database
    - Product Database

### Levels of International Development

<table>
<thead>
<tr>
<th>Level</th>
<th>Proportion of Assets &amp; Employees Outside of the Home Country</th>
<th>Role of the Subsidiary</th>
<th>Type of International Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Zero</td>
<td>None</td>
<td>National company</td>
</tr>
<tr>
<td>II</td>
<td>Low</td>
<td>Startup</td>
<td>International geographical division</td>
</tr>
<tr>
<td>III</td>
<td>Moderate</td>
<td>Implementer</td>
<td>Multidimensional network</td>
</tr>
<tr>
<td>IV</td>
<td>High</td>
<td>Leader</td>
<td>Transnational organization</td>
</tr>
</tbody>
</table>

The Matrix Structure of Asea Brown Boveri

1. Voluntary organization (self-organizing network)
2. Virtual teams
3. Formal teams
4. Business or country manager as full-time team leader
5. Matrix organization

Coordination among the Power Between Axes

The Realities of a Truly Global Corporation

- Multi-cultural employees (cultural barriers, different work practices and legal environments, varying degrees of skill levels)
- Broad spectrum of competitive environments (number and type of competitors, different levels of protectionism and regulatory environment)
- Varying efficiency of manufacturing assets
- Varying degree of infrastructure quality (communications and transportation)
- Communications challenges (time zones, holidays, language barriers)
YET

• To become a “world class corporation” the entire corporation has to be oriented towards one high standard of world class performance. Make all employees feel that they are part of a global organization striving for world class status, and feel local at the same time in the execution of their programs.
Being able to thrive in an environment which is:

- global and local
- complex and simple
- big and small
- centralized and decentralized
- changing and stable
The Renewal Process

Managing the tension between short-term performance and long-term ambition

Managing operational interdependencies and personal networks

Creating and pursuing opportunities

RENEWAL PROCESS

Creating and maintaining organizational trust

Shaping and embedding corporate purpose

INTEGRATION PROCESS

Linking skills, knowledge and resources

Developing and nurturing organizational values

ENTREPRENEURIAL PROCESS

Reviewing developing and supporting initiatives

Establishing strategic mission and performance standards

Front-line Management

Middle Management

Top Management