

407 D-51-81 – Implementing Strategy; the Role of Organizational Design

Winter Quarter, 2010, Section 81: Thursday 18:30-21:30

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Text: Amy Kates and Jay R. Galbraith, *Designing Your Organization*, Jossey Bass, John Wiley and Sons, San Francisco, 2007.

Description

Strategy matters little unless it is implemented. This course focuses on the role of organization design in the implementation of strategy. It suggests that the key elements of design (core skills and competencies, organizational structure, information and decision support systems, incentives, human resources policies, practices, leadership and culture) must be aligned with each other as well as with the strategy for effective implementation.

The course examines various structural forms—the functional, product/service, market segment, and geographic, and discusses how to evaluate their suitability for a given strategy. Next it discusses what information, incentive, and human resources policies and practices, as well as what types of organizational culture support each structural form. In order to integrate diverse organizational units, the course then considers the strengths and weaknesses of career transfer systems, teams, liaison/integrator roles (e.g. brand, product, and market segment managers), pooled designs, project management, and matrix designs. Last, the course also considers ways in which one can design an organization to learn and innovate.

Requirements

- A. Readings listed with the topics **are required**.
- B. Group assignments. Each group will write a paper on each of two cases. For the midterm you have the option of either the Mega Multi Media or the Schneirocksie Case. The case for the final is Neiman Marcus.
- C. Your group will be assigned one short presentation on a case or article.
- D. Groups are limited to six persons. Rationale: A paper written by a group of more than 6 people is a paper written by less than 6 people.

Grading

- A) Each case paper is worth 9 points.
- B) Each Group Report is worth 2 points
- C) Class participation—10 points. You are encouraged to attend class, participate in class and case discussions, ask questions and generally maintain a personal appearance indicating a level of consciousness somewhat above a semi-comatose state. One absence costs no points; any additional absences cost 1.0 points. Missing $\frac{1}{2}$ of any class is the same as being absent for the whole class.
- D) After the first case paper is due (Session 6) and at the end of the course (Session 10), all group members must rate the contributions of all other members of their group. There are no self-ratings.
 - ...0 implies the person contributed as much as any other member of the group.
 - ...-.25 implies the person contributed less than most members of the group (each such rating will cost the person so rated one quarter point).
 - ...-.50 implies the person did not make a satisfactory contribution to the group (each -.50 rating will cost the person so rated one half point).

These ratings **must be turned in** to me and **must be signed**. Those not turning them in will lose one point.

The moral of the story is: Be good to your group. You could fail the course, if no other group accepts you or if you receive a number of unsatisfactory ratings from others in your group.

- D) Grades are determined on the following basis:

- A = 28 or more points
- B = 24 to 27.9 points
- C = 20 to 23.9 points
- F = less than 20 points

Honor Code:

- 1.** All materials for this course are copyrighted. This includes all material (lecture notes and cases) in the case packet, posted on the course blackboard, or handed out in class. Reproduction of any of the material for any other use other than your own in print or electronic form is strictly prohibited without written consent of the instructor.
- 2.** All papers written by students taking this course or any other course taught by Robert Dewar in prior years are strictly off limits. I assume you are taking the course to learn the material, and this material is best learned when you plan and write the paper yourselves.

Topics and Readings

Session One (1/07/10)

The Role of Design in the Implementation of Strategy.

- ...Symptoms of poor fit between design and strategy
- ...The “Star Model” of Implementation
- ...Nordstrom’s Example

Readings:

1. Kates and Galbraith, text book (2007): pp. 1-9.
2. Michael Goold and Andrew Campbell, “Do You Have a Well Designed Organization?” HBR, March, 2002: 117-124. Reprint R0203K. (case packet)

Lecture Notes (blackboard)

- ...2010 STAR MODEL
- ...2010 G&C EVALUTION OF ORGANIZATION DESIGN

Handouts

- 451 Goold and Campbell Evaluation of an organization design

Session Two (1/14/10)

Basics of Organization Structures

- ...Accountability, Authority and Spans of Control
- ...Explanations of Organizational ‘Fat’
- ...Top down vs. bottom up approaches to building an organization chart

Readings:

1. Elliot Jaques, "In Praise of Hierarchy," HBR, Jan. - Feb. 1990. (case packet)

Case: The Yates Company Sales and Marketing Department (Case Packet). In-class discussion. See the end of the syllabus for discussion questions.

Lecture Notes (blackboard)

- ...2010 SPANS OF CONTROL

Session Three (1/21/10)

Designing Complex Organizations—basic forms, selection of the optimal principle of organization and the purpose and structure of the corporate office.

- a. Functional design—advantages and disadvantages
- b. Divisional/decentralized—advantages and disadvantages
- c. Selection of the optimal organizing principle
- d. Design of the corporate office
- e. Considerations for the centralization /decentralization of functions

Readings:

1. Kates and Galbraith, text book (2007), pp. 10-25 and pp. 141-172.
2. Collis, David J. and Cynthia Montgomery, "Creating Corporate Advantage," HBR, May-June 1998:71-83 (case packet).
3. Considerations for the selection of the top level organizing principle (blackboard)
4. Centralization and decentralization of functions (blackboard)

Lecture Notes (blackboard)

.....2010 ORGANIZATION DESIGN

Session Four (1/28/10)

Strategy—The purpose of organization design is to implement strategy, so what is strategy?

...Strategy. A Decision Making Perspective
...What is a Business?
...How to Define a Business
...Setting Business Objectives
...Competitive Advantage and Value Approaches to a Market

Readings:

1. Michael Treacy and Fred Wiersema, "Customer Intimacy and other Value Disciplines," HBR, Jan-Feb. 1993. (case packet)

Lecture Notes (blackboard)

...2010 STRATEGIC PLANNING DECISIONS

Session Five (2/4/10)

A. Strategy (continued)

B. Disintegration in organizations and designs for integration.

- ...Causes of disintegration, silos.
- ...Career development and transfer systems
- ...Teams
- ...Integrator Roles
 - ...Giving Integrators 'Teeth'
 - ...Internment Services for Brand Management

Readings

1. Haig R. Nalbantian and Richard A Guzzo, "Making Mobility Matter", HBR, March 2009: 76-84. R0903F
2. Robert Dewar and Don Schultz, "The Product Manager, an Idea whose Time has Gone." 1989. (case packet)
3. Paul Rogers and Marcia Blenko, "Who has the 'D'?" HBR. January 2006:52-61. Reprint R0601D (case packet)
4. A note on decision charting (blackboard)
5. Kates and Galbraith, text book (2007), pp. 121-123.

Lecture Notes (blackboard)

2010 ORGANIZATION DESIGN

Session Six (2/11/10)

Complex Integration Designs—Pooled, Project, and Matrix

- ...Pooled, Project and Matrix Designs, Advantages and Challenges
- ...Balanced Score Card
- ...Financial Controls

Readings

1. Kates and Galbraith, text book (2007), pp. 109-140.
2. Robert S. Kaplan and David P. Norton, "Linking the Balanced Scorecard to Strategy," California Management Review, Vol. 39, No. 1, Fall 1996: 53-79. (Case packet)

Lecture Notes (blackboard)

2010 ORGANIZATION DESIGN

2010 BALANCED SCORECARD

Handouts decision chart exercises

Schneirocksie or Mega Multi Media Case papers due in class. Questions for these cases are in syllabus section *Questions for Case Analysis*. Both cases are on blackboard.

Session Seven (2/18/10)

An Illustration of Design Fit with Strategy: Customer Focus and Organizational Design

- ...The Market Focus Decision Journey at UPS SCS
- ...Design Diagnosis for Implementation of Customer Focused Strategy
- ...Market/Customer focus, best practices

Readings:

1. Kates and Galbraith, text book (2007) pp. 27-68.

Cases: The UPS SCS Case, 2004

(blackboard) This case is for in class discussion—sees the section at the end of the syllabus for discussion questions.

Lecture Notes (blackboard)

2010 MARKET FOCUS DECISION JOURNEY WITH UPS SCS EXAMPLES

Hand Outs

Customer Focus Audit
Customer Focus Audit with Answers

Session Eight (2/25/10)

Bureaucracy and other Barriers to Organizational Learning

- ...The Three Stages of Bureaucratization
- ...Barriers to Organizational Learning

Readings

1. Kates and Galbraith, text (2007), pp. 173-201
2. Donald Sull, “Why Good Companies Go Bad,” Harvard Business Review, July-August, 1999:221-230. Reprint 99410.

Lecture Notes (blackboard)

...2010 THE CANCER OF BUREAUCRACY
...2010 DESIGN FOR LEARNING AND INNOVATION

Handouts

Leadership Innovation and Learning
Leadership Innovation and Learning with Answers
The New Venture Failure Case

Session Nine (3/4/10)**Organizational Learning (contd.)**

- ...Smart Mistakes and Organizational Learning
- ...Designing the Organization to Learn

Readings

1. Thomas H. Davenport, "Smart Business Experiments", Harvard Business Review, February, 2008: 69-76. Reprint R0902E (Case Packet)
2. Clayton M. Christensen and Michael Overdorf, "Meeting the challenge of Disruptive Change, Harvard Business Review, March-April 2000: 66-74: Reprint R00202. (Case Packet)
3. Amy C. Edmondson, "The Competitive Advantage of Learning", Harvard Business Review, July August, 2008: 60-67. Reprint R0807E (Case packet)
4. "What's your Strategy for Managing Knowledge?", Morten T. Hansen, Nitin Nohria, and Thomas Tierney, Harvard Business Review, March-April, 1999: 106-116. Reprint 99206 (Case packet).

Lecture Notes: (blackboard)

2010 KNOWLEDGE MANAGEMENT

Session Ten (3/11/10)**Organizational Learning and Innovation (contd.)**

Readings: NONE!!!

Case: Customer Focus at Neiman Marcus, 2006 (blackboard).

Final Exam papers are due in this class. Questions are in syllabus section *Questions for Case Analysis*.

Questions for in class discussion cases

These questions are intended to guide your reading of the Cases for **In Class Discussion**. These are not for the writing assignments.

1. Questions for the Analysis of the Yates Company Marketing/Sales Department

Use the following questions to guide your reading of the case in preparation for our in class discussion of it.

- A. List the objectives the Yates Company wishes to achieve with a redesign of the marketing/sales department. (N.B. This is the department described in the case. It is referred to at times as “the sales” and at other times “the marketing” department.)
- B. Discuss the external and internal constraints under which they are operating and that require a new design.
- C. Restructure the organization. As you do, explain why you chose the structure that you did; why some units (or functions) continue reporting to Yates and others don’t; also explain how the organization will control those units or functions which have been pushed down the chart out of Yates’ span of control.

P.S. Ignore the manufacturing area and headquarters. Do not transfer any functions or positions to headquarters – they don’t want them.

2. Questions for the Discussion of The UPS SCS Case (2004)

A *market focused organization* is defined as one in which every decision maker (regardless of function or level), knows who the target customer(s) is(are), knows what the customer experiences with that company's products/services builds the brand the company intends that the customer(s) perceive, and makes decisions to maintain and enhance this experience.

- A. Does UPS SCS have clearly defined target market segment(s)?
- B. Does UPS SCS have a well defined brand(s)?
- C. From information given in the case, does it appear that decision makers (regardless of function or level) make decisions to maintain and enhance the customer experience that builds the brand?
- D. What do you see as the key design elements by which UPS SCS implements market focus?

Questions for the midterm and final case assignments

Mid Term Case Assignment:

**Questions for either the Mega Multi Media Case (2001) OR the Schneirocksie Case. (2008)
Your Pick. The Midterm case paper is due 2/11/10.**

In Mega Multi Media, Jay Franks, the CEO, has discovered an insightful approach to the development of content in one of M3's units. He wants to have other units adopt this technique. Is Franks defining the issue correctly? Is his thinking too narrow, i.e. are there other possibilities for sharing content across units besides this one? In addition to this new approach to content directed at consumers, should he be thinking of other ways to approach advertisers?

In Schnierocksie, senior management is becoming aware that the company is product focused. Customers, both businesses to which Schneirocksie sells and end user consumers, seem to want more than just controls, motors, and electrical components; they want 'solutions'. Senior management has already taken some initiatives to make Schneirocksie more solutions focused including their acquisition of Systems 3. What other design changes should they make assuming becoming more solutions focused is a correct strategy for growth?

For be sure to use all *relevant* articles in the syllabus, *relevant* material in the Kates and Galbraith text, and *relevant* lecture notes from the beginning of the course up through and including Session 4. It's up to you to decide what is relevant and what is not.

Questions for Analysis of the Neiman Marcus Case (2006)

(Due 3/11/10)

For the final paper, please assume that Neiman Marcus is in two businesses, the fashionistas and the urban professional. They are in several other businesses, e.g. tourist, but you should consider only these two. Neiman's currently emphasizes the fashionista business, and, while they carry urban professional merchandise, this business is not focused on as much as the fashionista. The design challenge for you will be to improve their focus on the urban professional business without diminishing Neiman's focus on fashionista. Assume that there is sufficient overlap of the two market segments to justify focus on both. This means that there is a significant percentage of fashionistas that also buy urban and vice versa, even though there are some pure fashionista and pure urban professional customers.

1. What is the business definition of these two business(s), i.e. market segment, needs of the segment, and products/services used to meet these needs?
2. What are the competitive advantages of these two businesses and what are the core skills and competencies that produce these competitive advantages? You should express competitive advantage in terms of the value approach to the market that you feel each of these businesses should have.
3. To improve focus on the urban professional business you will have to consider:
 - a. Whether or not Neimans should remain functional or have two divisions, urban and fashionista.

- b. You are expected to use tools discussed in class such as decision charts and balanced score cards. Limit the use of balanced score cards to three important positions. You could make up more, but three is sufficient.
- c. Because store resources are shared, you should design a matrix. In so doing
 - i. Discuss whether the strategy fits matrix conditions.
 - ii. Discuss how you will balance power in the two arms of the matrix.
 - iii. At least one of your three balanced score cards should involve positions in the matrix.
 - iv. Since this is a 'straw man' exercise, give your honest thoughts on whether or not the matrix will work at Neimans using evidence from the case and class readings to back up your argument.