

Strategic Organization Design

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Objectives



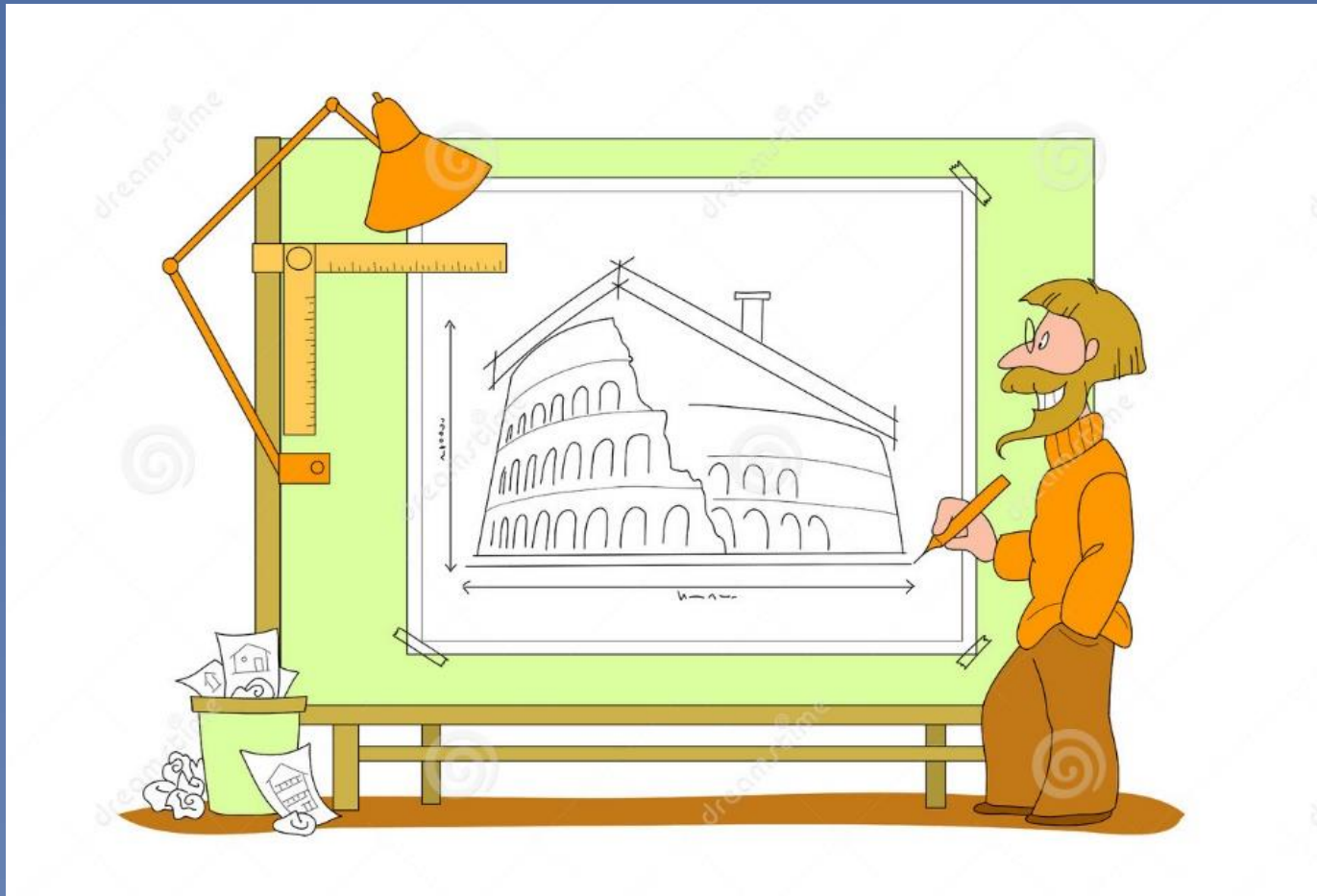
- **At the end of this lecture, you will be able to**
 - Understand and explain key basic concepts around organization in the corporate world
 - Understand what organization design is about
 - Understand how strategy influences the design of an organization

An organization is an entity that has a collective goal and is linked to an external environment.

- derived from the Greek word *organon*, itself derived from the better-known word *ergon* which means "organ".

There are a variety of types of organizations

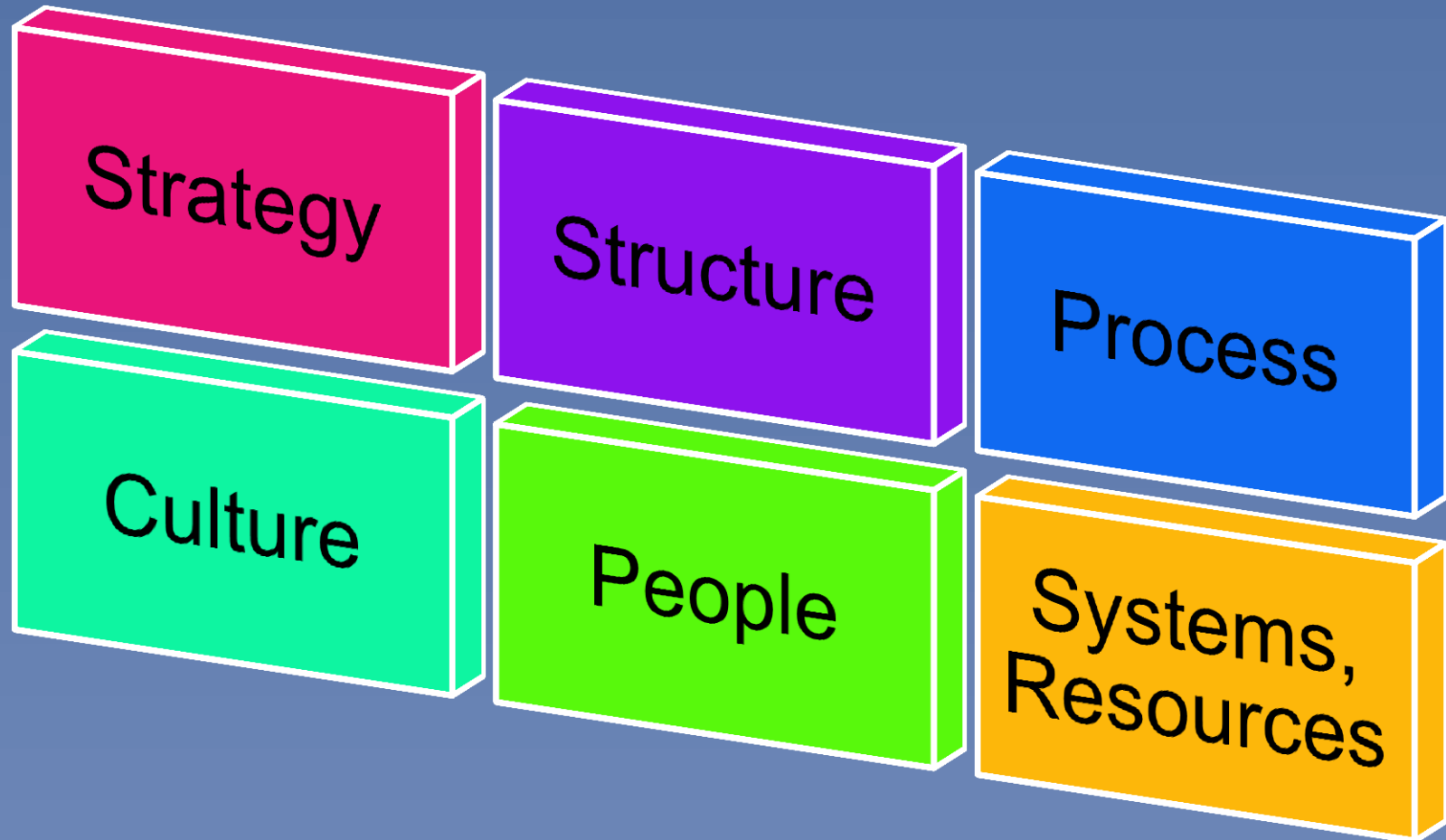




Source: Dreamstime.com

Organization design is not Architecture
It is not only about structure

Organization design is about aligning 6 elements





Strategy is labelled in a Mission defined by the Leadership

What is the difference between these 3 missions?

The logo for Ryanair, featuring the word "RYANAIR" in white, bold, uppercase letters on a dark blue rectangular background.

Offer low fares that generate increased passenger traffic while maintaining a continuous focus on cost containment and operating efficiencies

LOW
COST
EFFICIENCIES



Add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.
(Brands: Lipton, Knorr, Persil, Dove)

LIFE
NEEDS
PEOPLE



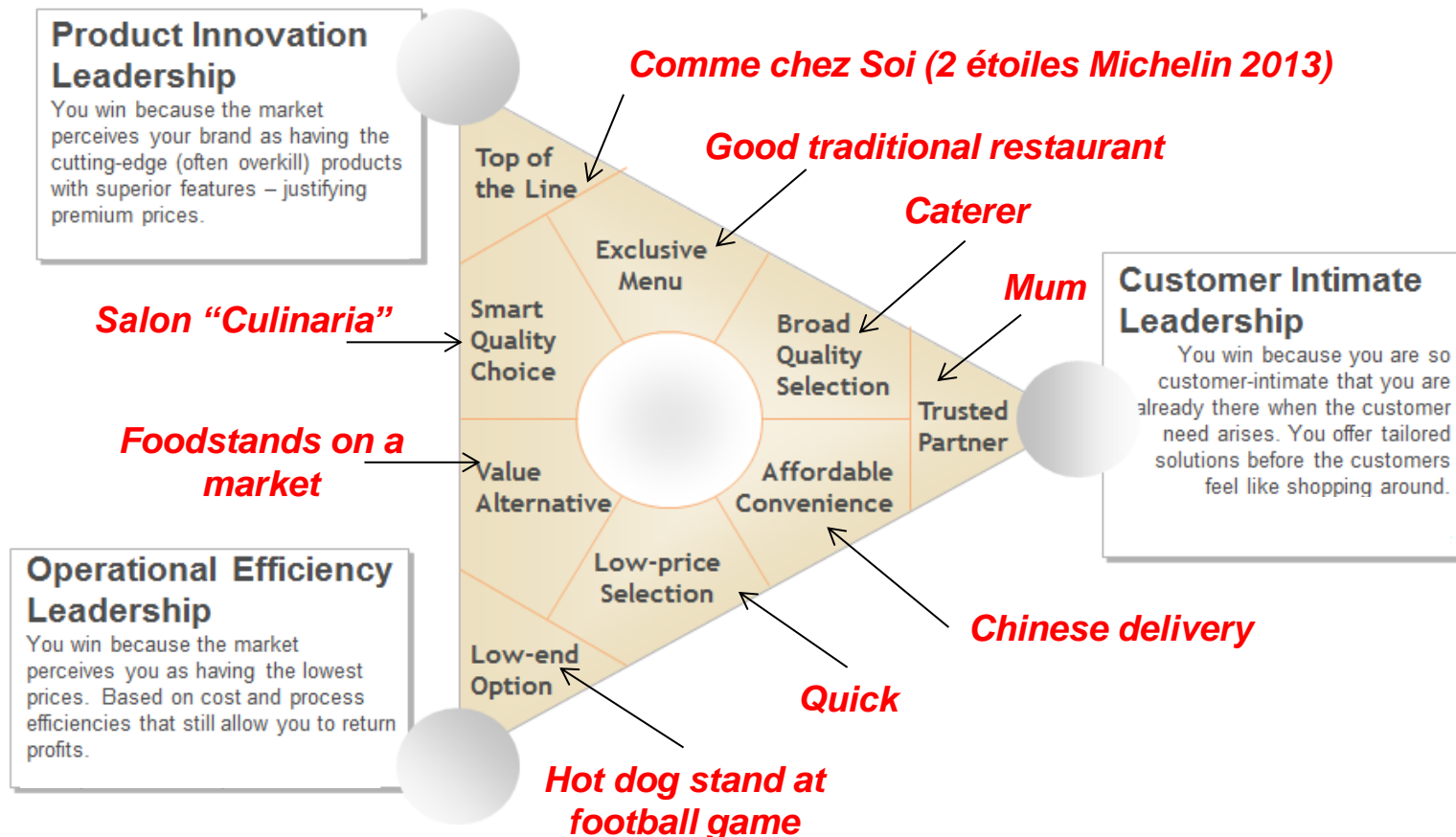
Willingness to be an inventor company to help shape the future and determination to come up with innovations that benefit humankind

INVENTOR
FUTURE
INNOVATION

Organizations can choose between 3 types of mission

Based on “Value Disciplines” from M. Treacy & F. Wiersema (1994),

- Typically organizations choose 1 single strategic intent to excel at.
- Still they achieve industry standards at the remaining 2.



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Operational
Efficiency



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Customer
Intimacy



Willingness to be an inventor company to help shape the future and determination to come up with innovations that benefit humankind

Product
Innovation

Another try.....



Apple is committed to bringing the best personal computing experience to students, educators, creative professionals and consumers around the world through its innovative hardware, software and Internet offerings.

Product
Innovation



We save people money so they can live better.

Operational
Efficiency

NORDSTROM

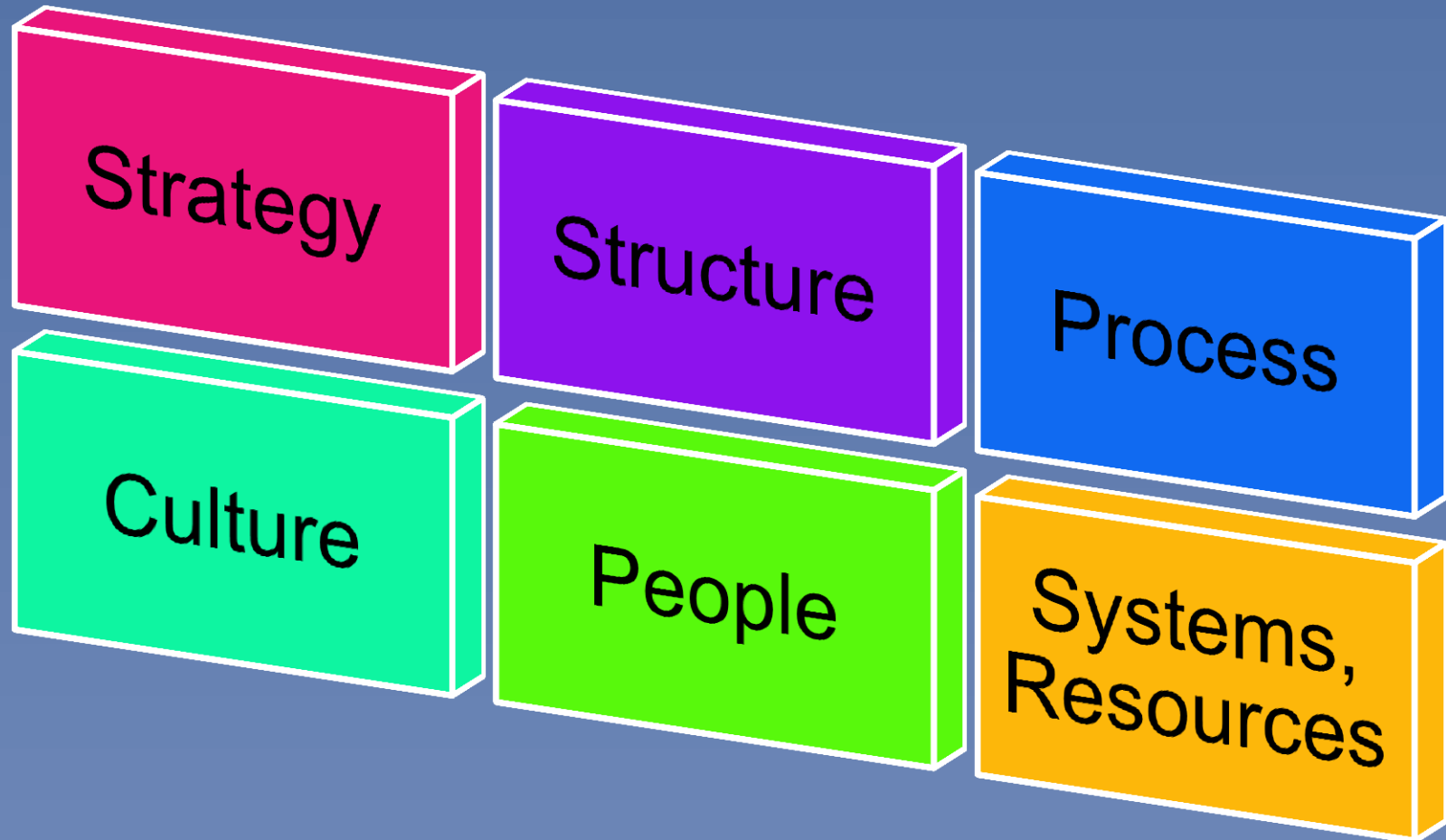
At Nordstrom, our goal is to provide outstanding service every day, one customer at a time.

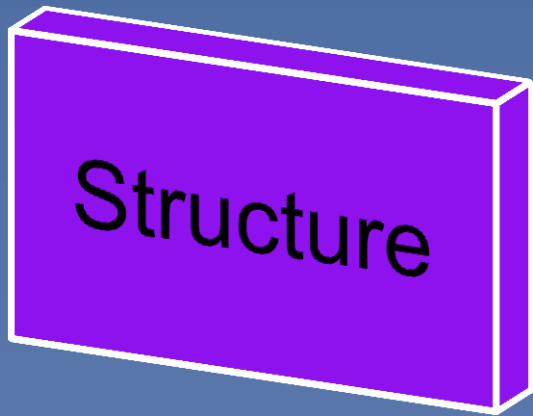
Customer
Intimacy

Strategy is defined and supported by the Leadership

- **Corporate titles or business titles are given to company and organization officials to show what duties and responsibilities they have in the organization.**
 - The highest-level executives in senior management usually have titles beginning with "chief" and are therefore usually called "C-level" or part of the "C-suite".
- **The traditional three such officers are**
 - chief executive officer (CEO)
 - chief operations officer (COO)
 - chief financial officer (CFO)
- **But also following officers can exist:**
 - chief information officer (CIO) (more recently: Innovation), chief technology officer (CTO), chief risk officer (CRO), chief marketing officer (CMO), chief creative officer (CCO), chief diversity officer (CDO).
- **French : PDG, Directeur-Général, Directeur, Manager**

Organization design is about aligning 6 elements

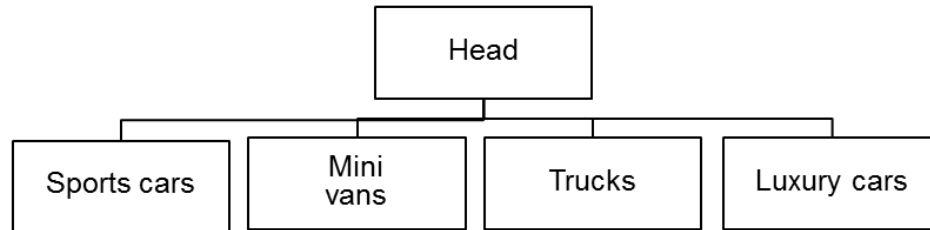




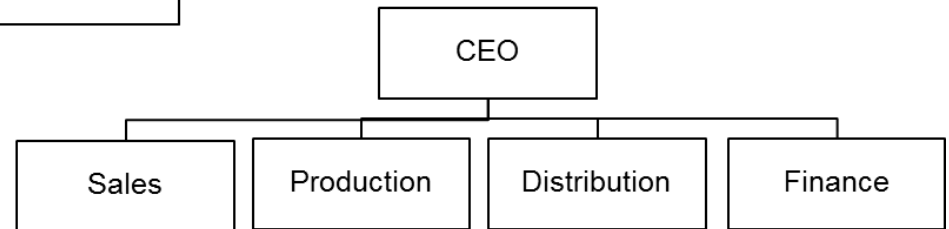
Let's talk about organization model / chart

Five generic organization models can be adopted or combined (“hybrid, matrix”), linked to the strategy

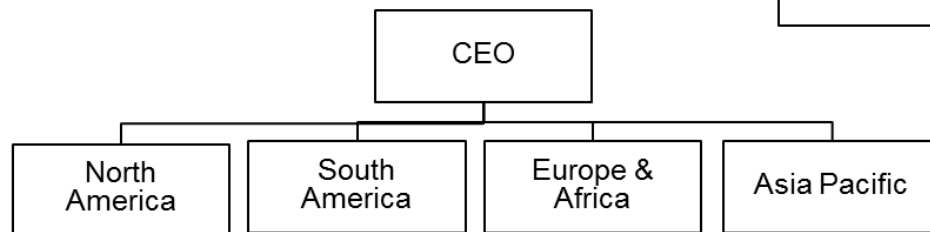
Product or Services



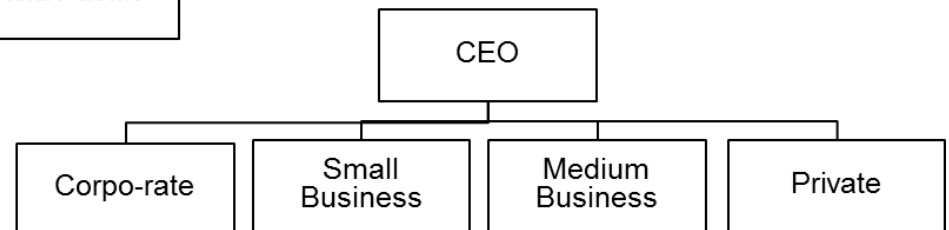
Function



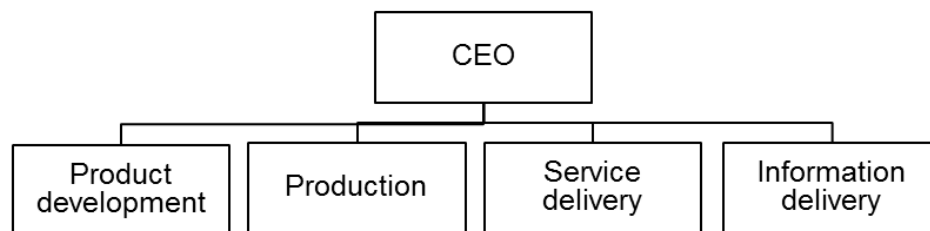
Geography



Market segment

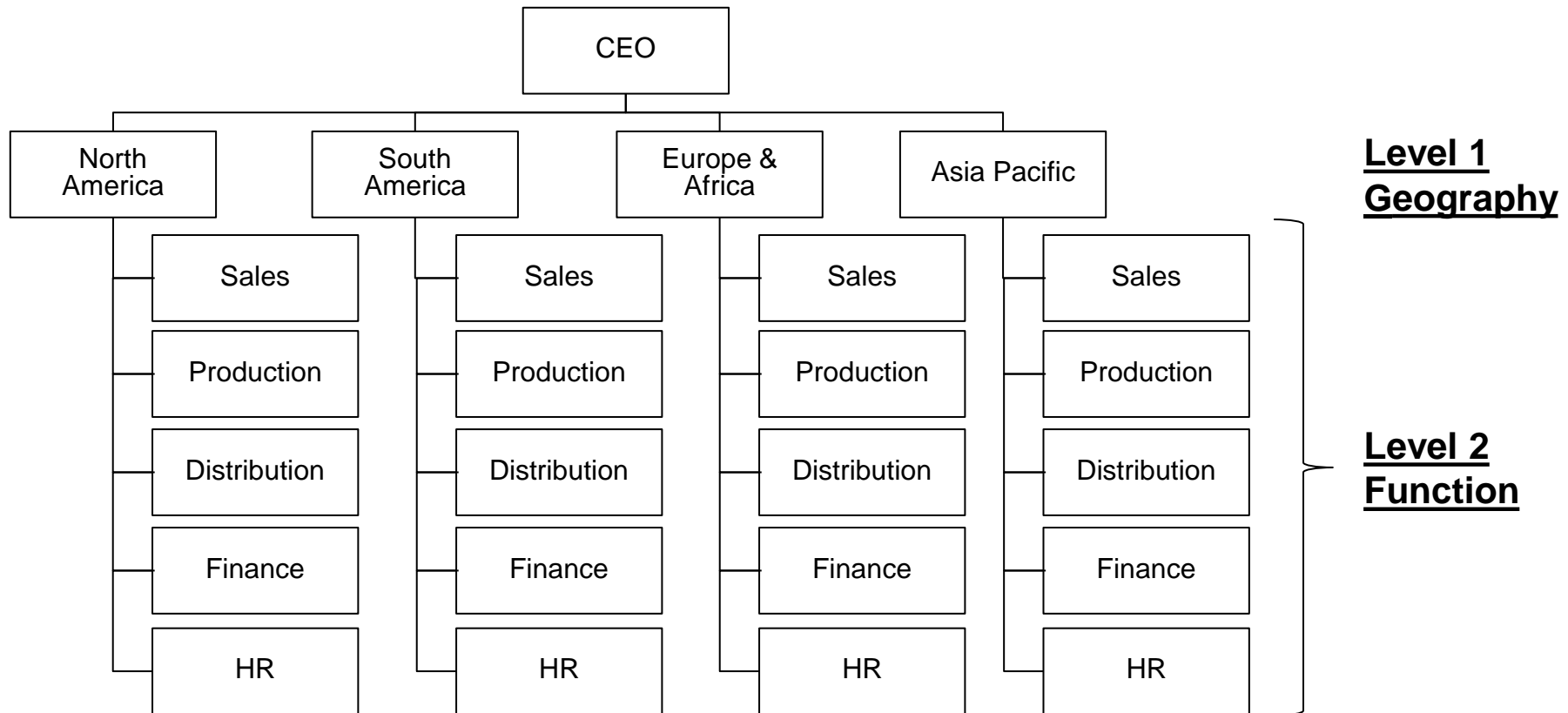


Process



Five generic organization models can be adopted or combined (“hybrid, matrix”), linked to the strategy

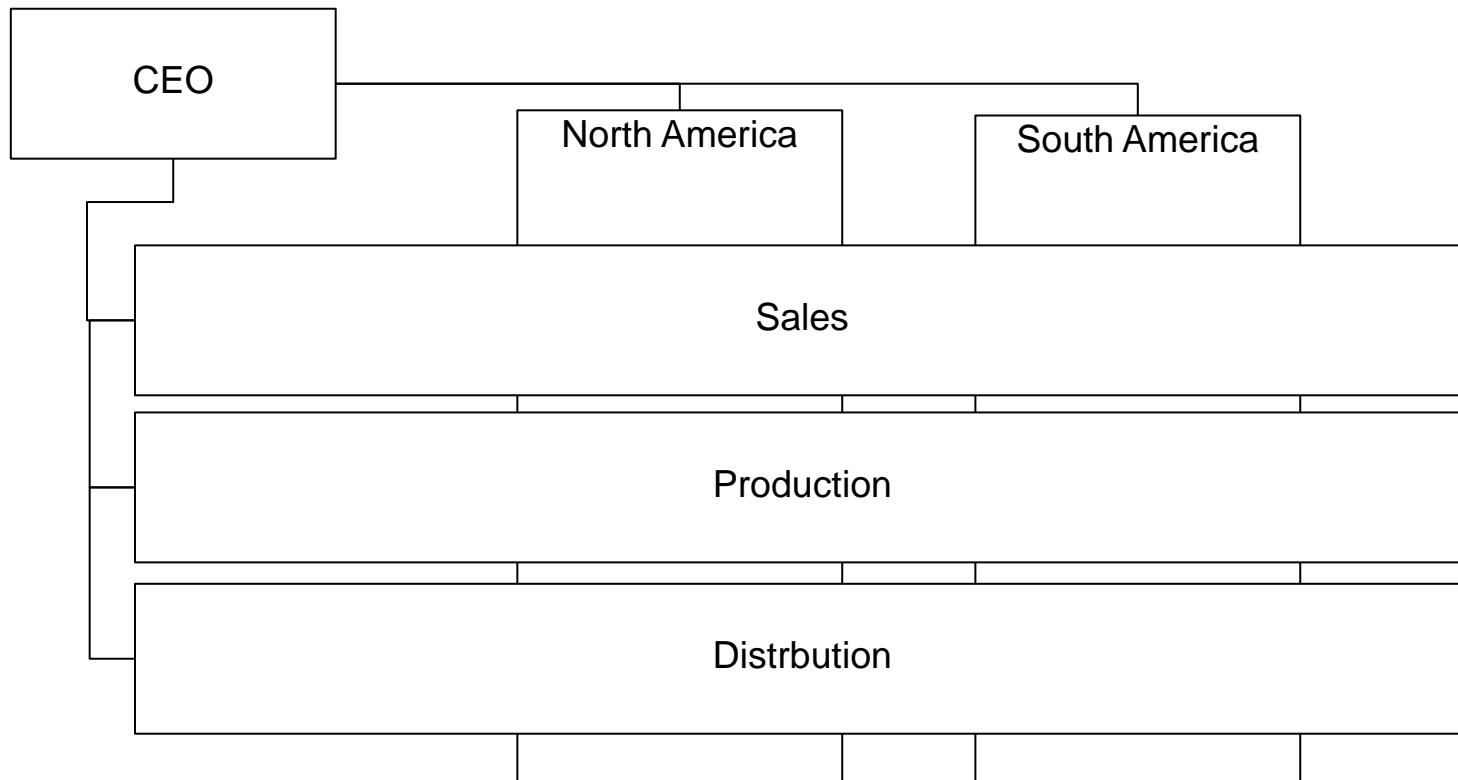
A hybrid organization : the generic model used do change according to the different level in an organization



Five generic organization models can be adopted or combined (“hybrid, matrix”), linked to the strategy

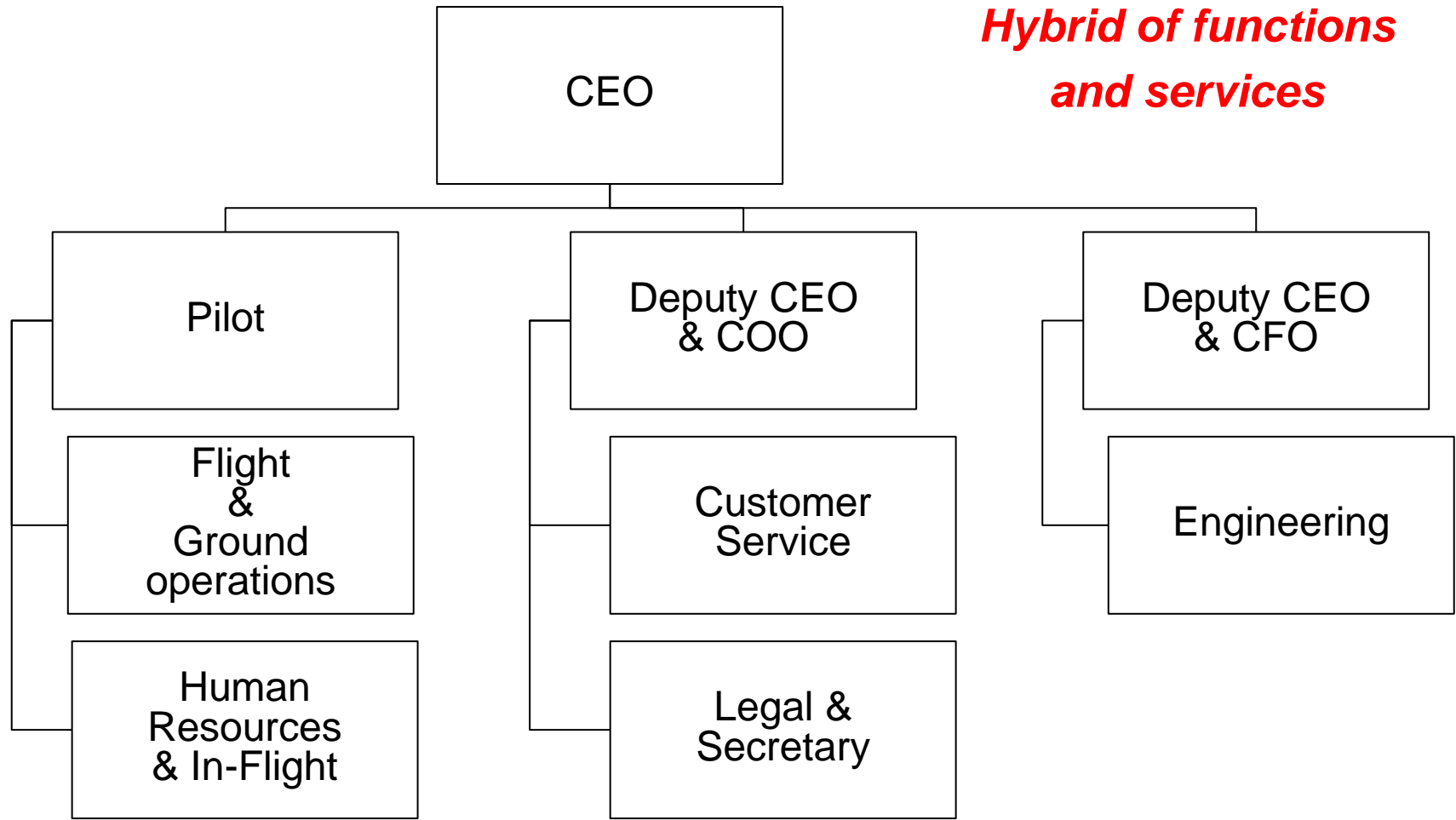
A matrix organization : This organizational type assigns each worker two bosses in two different hierarchies.

- **One hierarchy is "functional" (provide expertise), the other hierarchy is “executive” (provide people management)**



What generic organization model do you recognize?

**Hybrid of functions
and services**



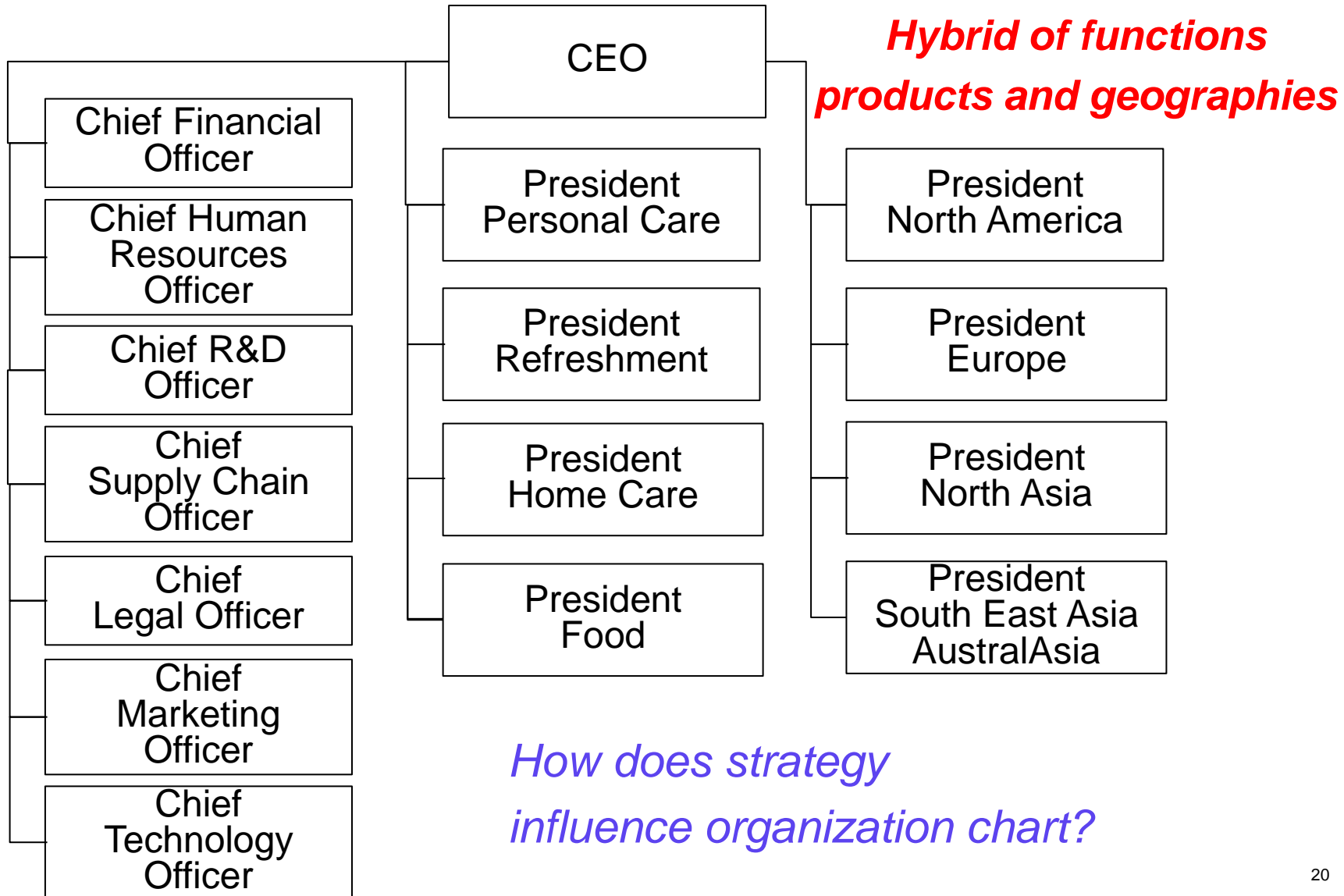
How does strategy influence organization chart?

How does strategy influence organization chart?

- No product variety to rationalize costs
 - « Fligh/Ground Operations » and « In-Flights »
- Focus on 2 key ‘C’ level function below CEO (who are also Deputy CEO):
 - CFO, responsible for the Finance (how much does the business costs)
 - COO, responsible for the Operations (the way the busines is run)
- Though historically, airlines have focused on safety, aircraft technology, speed, geographic reach, and in-flight service attributes, no ‘C’ level representation (“Engineering”)
- Still a flat structure (only 2 to 3 level below the CEO, where ‘C’ level and ‘non-C’ level interact)
- Combined roles (e.g. Flight & Ground Operations)

Customer Intimacy

What generic organization model do you recognize?





Customer Intimacy

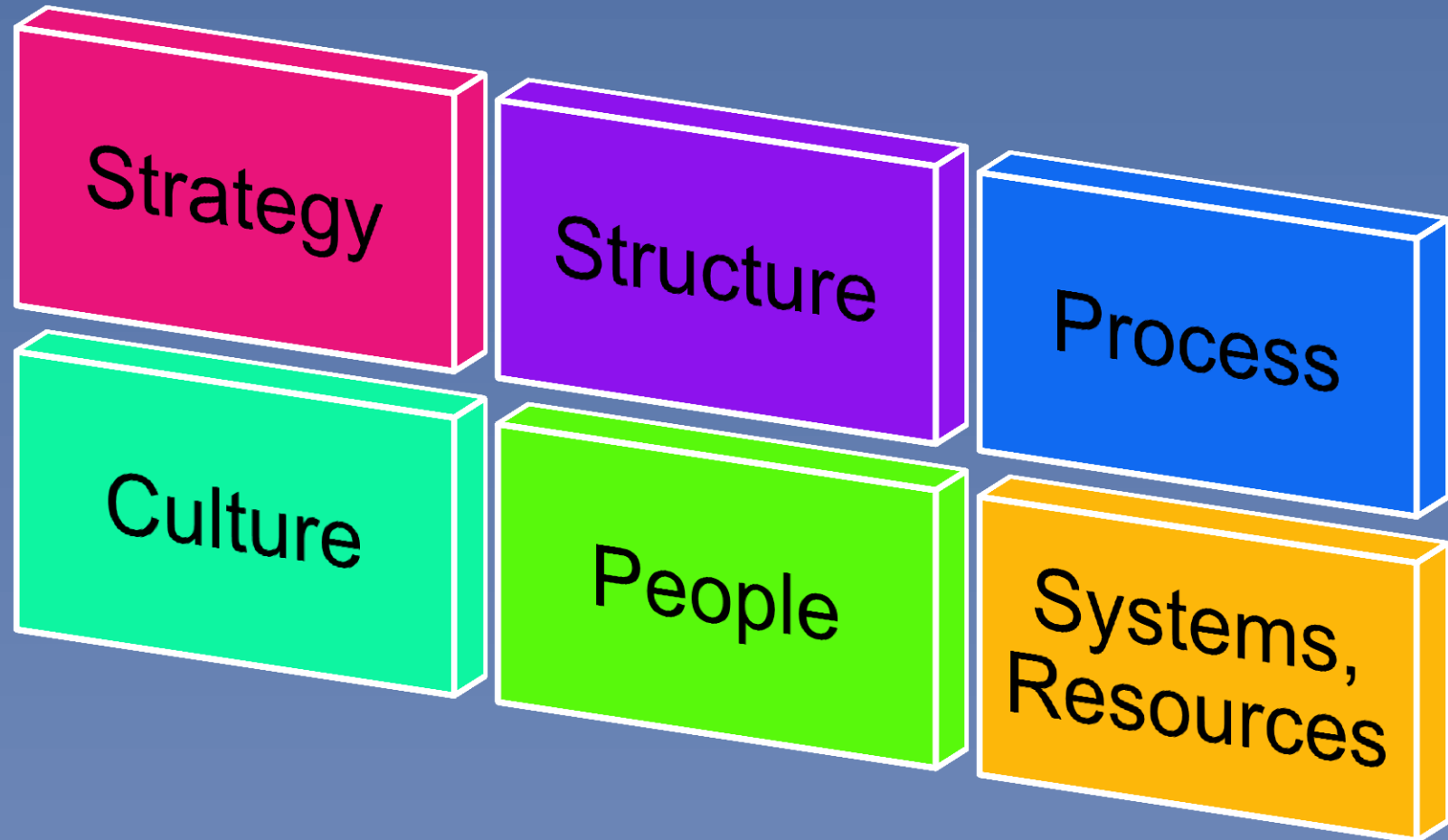
How does strategy influence organization chart?

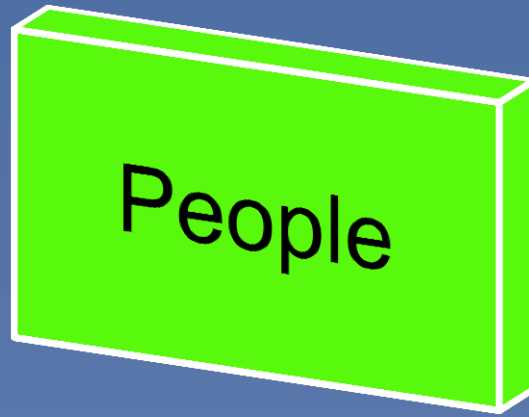
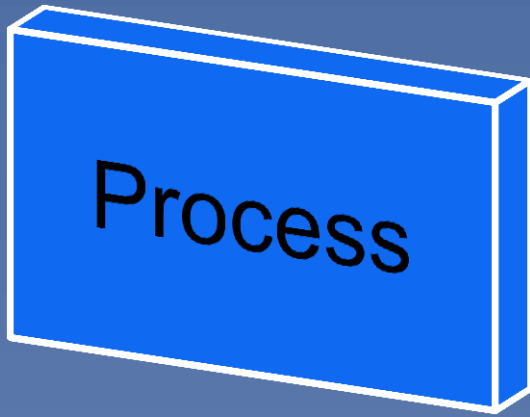
- Hybrid to really understand the various client profile and needs
 - Geography : North America, North Asia, Europe, South-East Asia, Australasia
 - Product: Foods, Personal care, Refreshment, Home Care

- Appointment of a CTO (Technology)
 - « How can technology be used to further improve the quality of life for 100% of our consumers ? »

- Chief Supply Chain Officer main duty:
 - Make sure that client demand fulfillment stays close to each market

Organization design is about aligning 6 elements





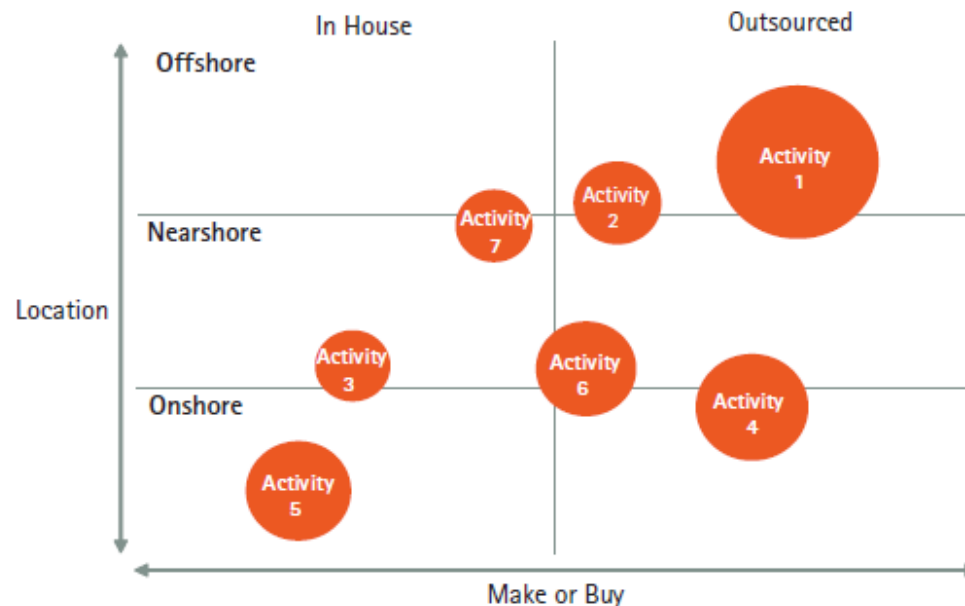
Let's talk about Activities and Sourcing model

A Process is composed of Activities and Tasks

▪ Process → Activity → Task

What does the organization?

- In organization design, “ sourcing model ” refers to Where and Who should execute an entire process or specific activity(/-ies)
 - Where: Onshore (same country), Nearshore, Offshore
 - Who : In house (internally) or outsourced (externally)



Organisations do select their sourcing model based on a set of criterias

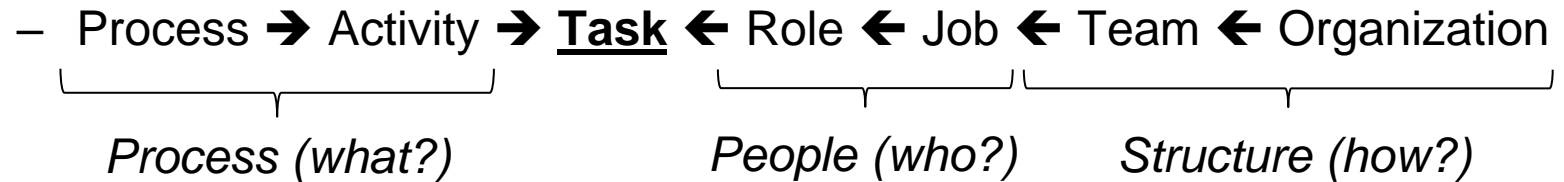
■ **Criteria**

- Business skills
 - Level / type of knowledge, repetitiveness, language of services
- Volume of activity
 - labour intensive process, flexibility or seasonality
- Type of operations
 - client facing or not, hours of service coverage
- Costs
- Social responsibility

■ **10 Outsourcing Trends to Watch in 2015 on CIO.net**

Linking PROCESS – PEOPLE - STRUCTURE

- **Tasks are used in organization design as the common denominator between the process (what?), the people (who?) and the structure (how?)**



- **Example of a Company producing Italian dishes**

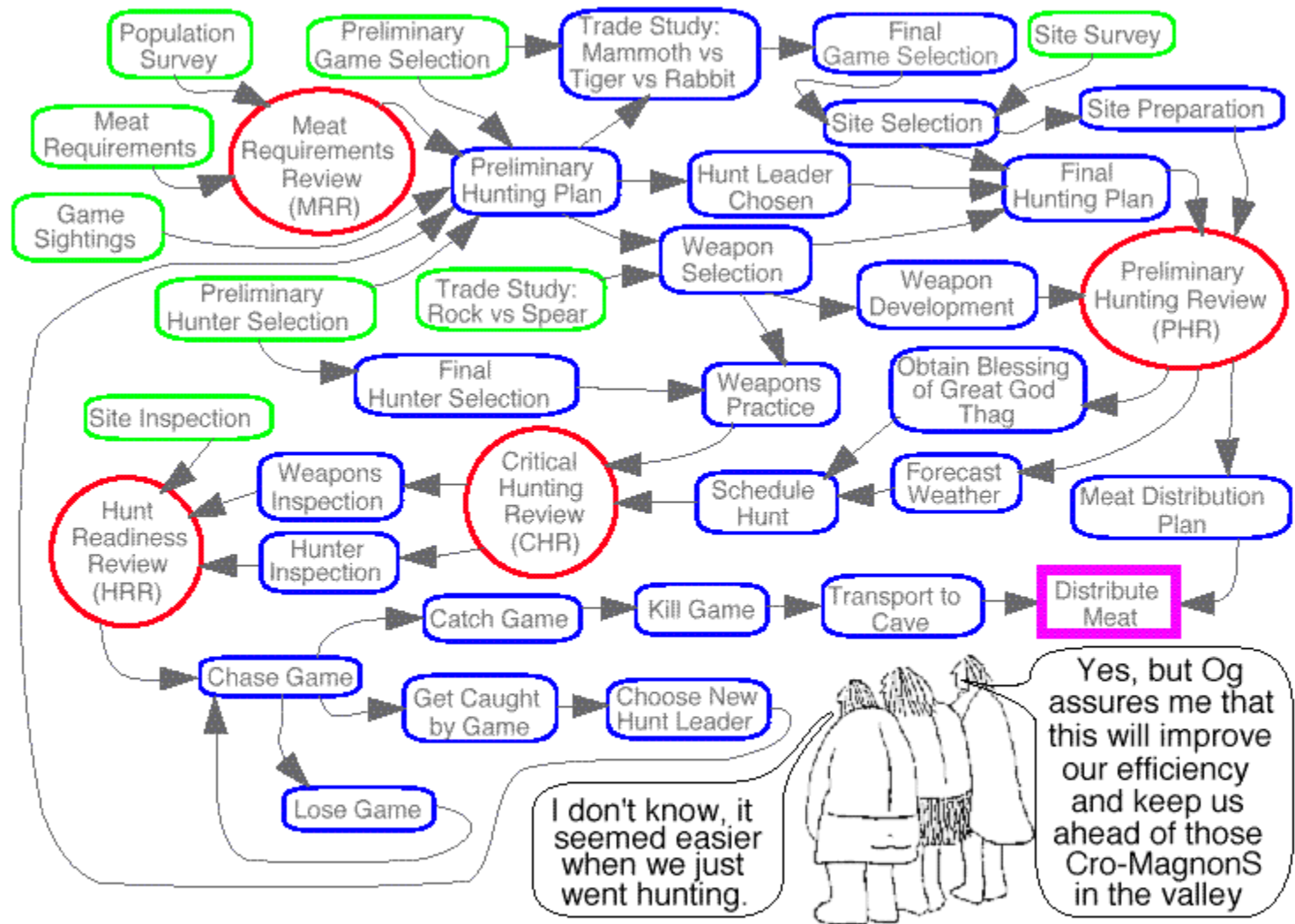
- **Step 1:** In organization design, in order to look for synergies, we would group **similar tasks** from different processes **into the same role**

- Process “Prepare the pizza Al Funghi”
 - Activity “Prepare the garnish”
 - Task : Cut tomatoes
 - Task : Cut mushroom
 - Task : Cut cheese
 - ...
 - Process “Prepare the spaghetti Al Bolognese”
 - Activity “Prepare the sauce”
 - Task : Cut onions
 - Task : Cut tomatoes
 - Task : Cut beef meat
 -
-

#4: Break down to the lowest common denominator “Task” to re-build “Role”, “Job” and “Team”

- **Step 2**: **Several roles** of the same nature are grouped **into jobs**, respecting SoD
 - SoD stands for segregation of duties. It is an internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task.
 - e.g. the person responsible for purchasing should not also be responsible for its payment.
- **Step 3**: **Several jobs** are grouped in **teams** taking into account span of control
 - Span of Control is the number of subordinates that a manager or supervisor can directly control. This number varies with the type of work
 - e.g. Span-of-control 1:6 in complex variable work
 - e.g. Span-of-control 1:20 or more in routine or fixed work

Don't overdo it....



Why the Neanderthals became extinct.

In summary

A good organization design makes sure there is a box for each strategic business priority

A good organization design clarifies the reporting lines between each boxes and the ‘who does what’

A good organization design applies a ‘just – enough’ approach