

Organizations, Structure, Management

Bott Chapter 4

ORGANIZATIONAL MODELS

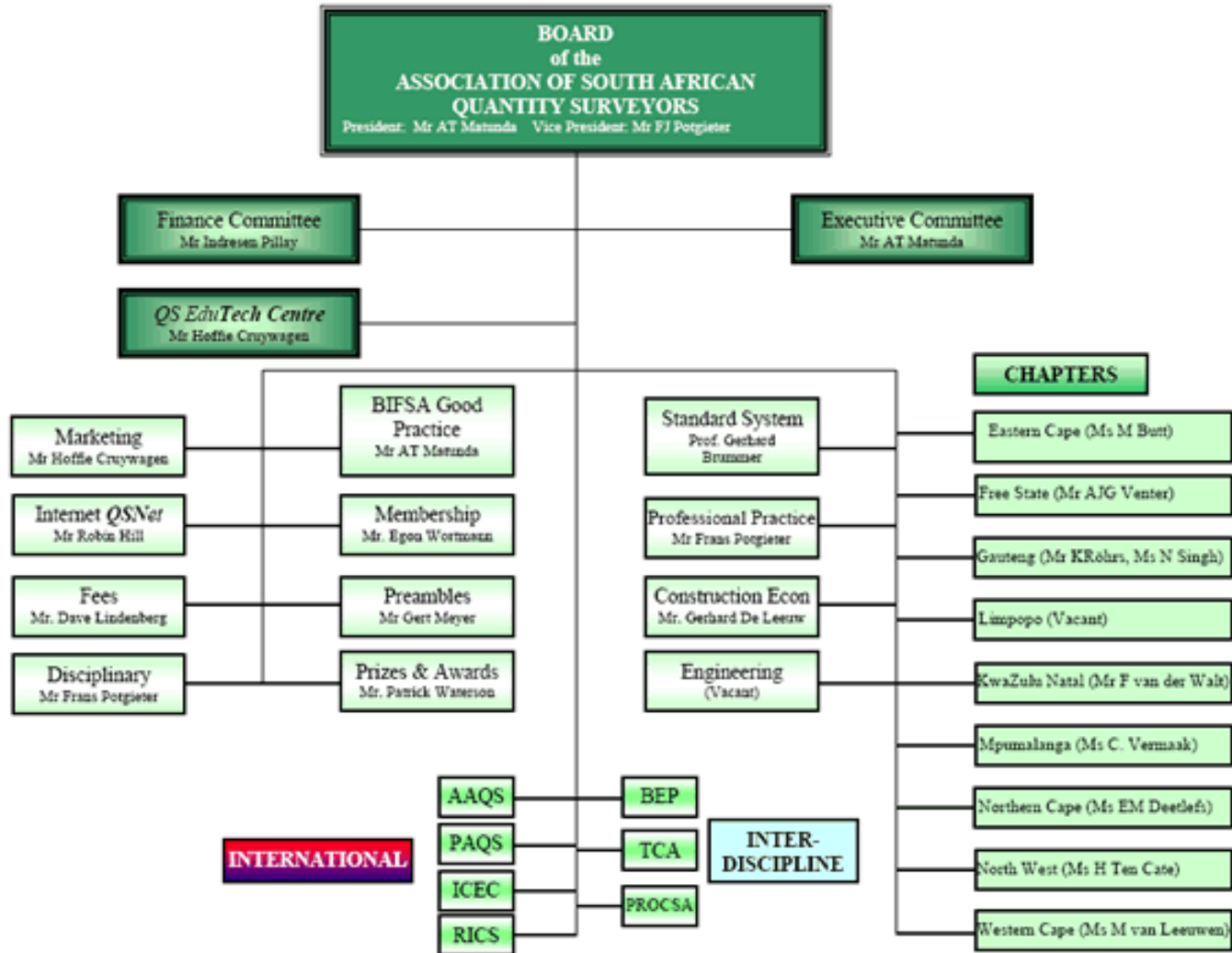
Organizational Models

- Organizational Theory (founded by Max Weber on the theory side) developed the **bureaucratic model**:
 - Tasks are split into specialist roles and people become expert in these
 - Each rule is precisely specified so one expert can be substituted for another
 - Each individual is accountable to one manager who directs their work
 - Employees are required to relate to each other and customers in a formal and impersonal way.
 - Recruitment is based on qualification, employees are protected from arbitrary sacking, promotion is based on seniority and achievement
- **Organic Model** (Likert): “... ensure a maximum probability that in all interactions and in relationships within the organisation, each member, in the light of their background, values, desires and expectations, will view the experience as supportive and one which builds a sense of personal worth and importance” – small professional companies.

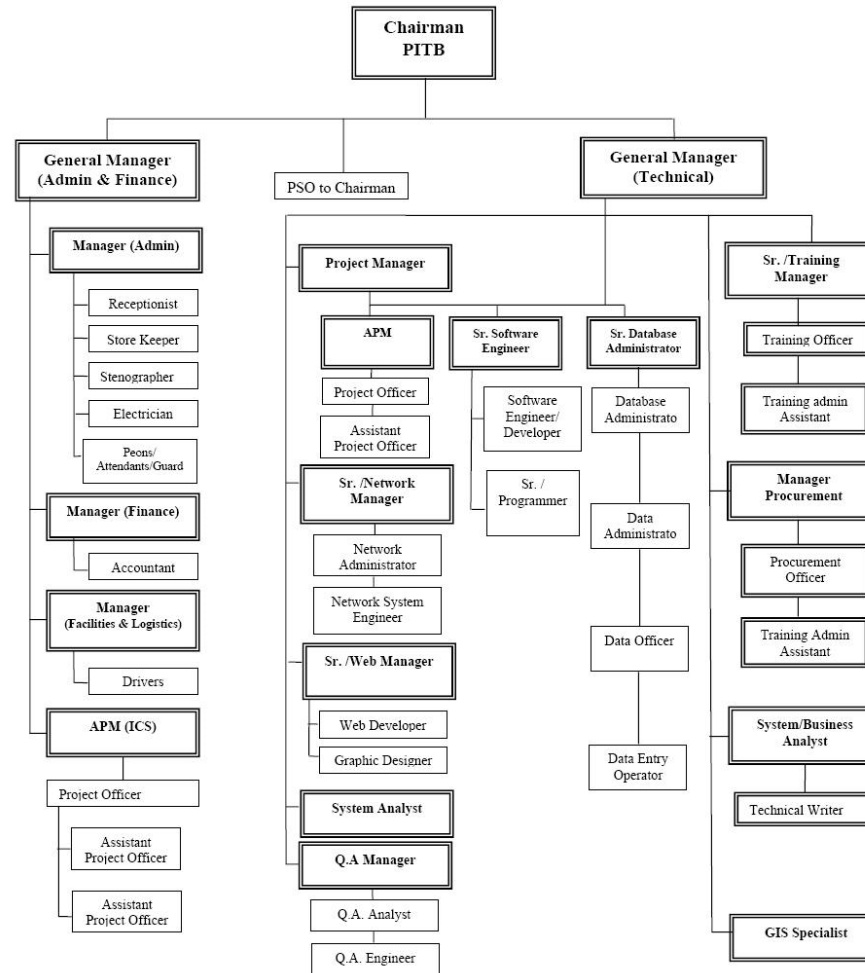
Matrix Model

- Accepts that bureaucratic model is too restrictive
- Work may be project-based
- Employees may be working on several projects simultaneously
- Employees may answer to several managers at once

Organogram

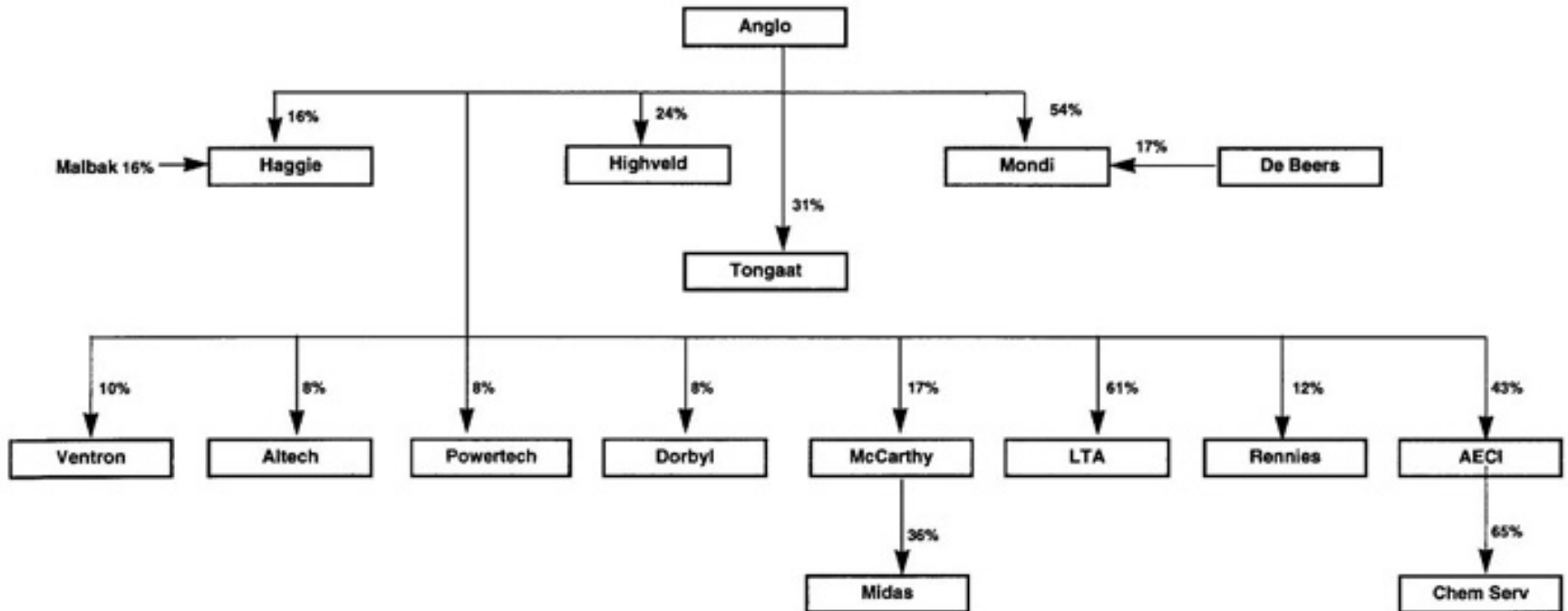


Organogram

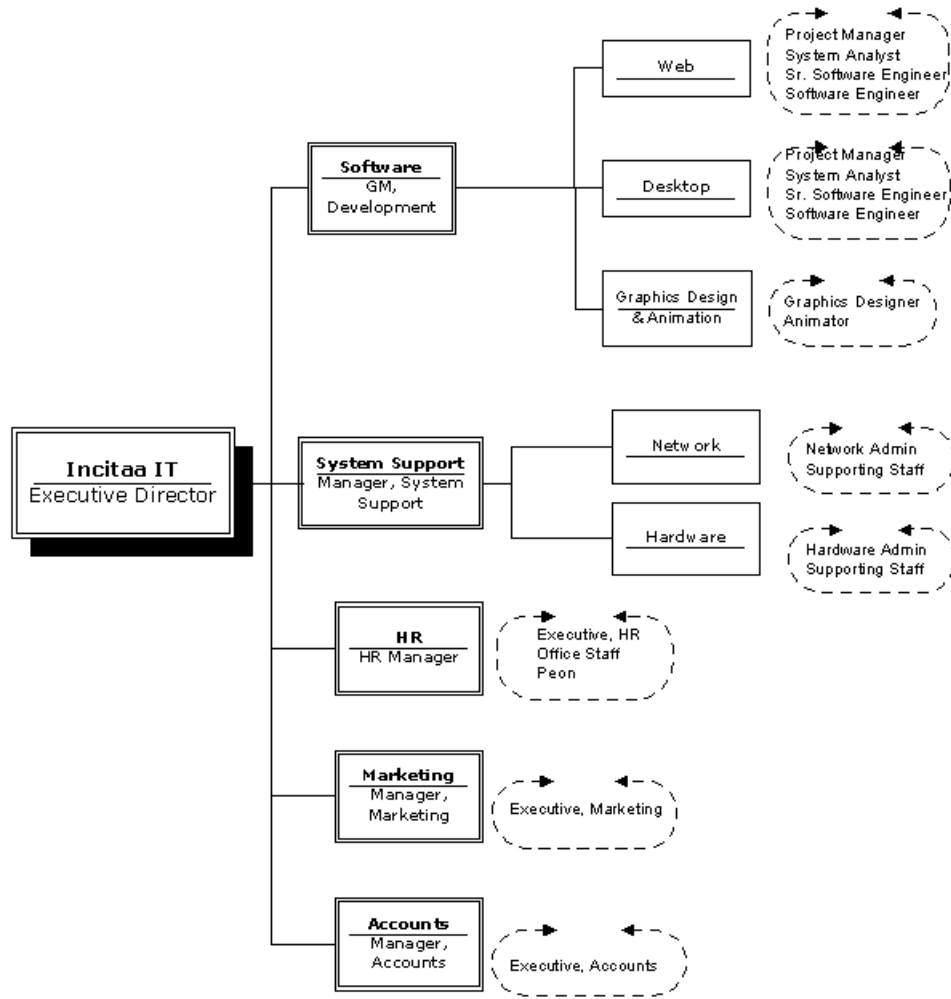


Organogram

ORGANOGRAM G2 ANGLO AMERICAN CORPORATION—SUMMARISED ORGANOGRAM, 1992. (After elimination of control structures, including Amic.) *Source: Kaplan & Stewart*

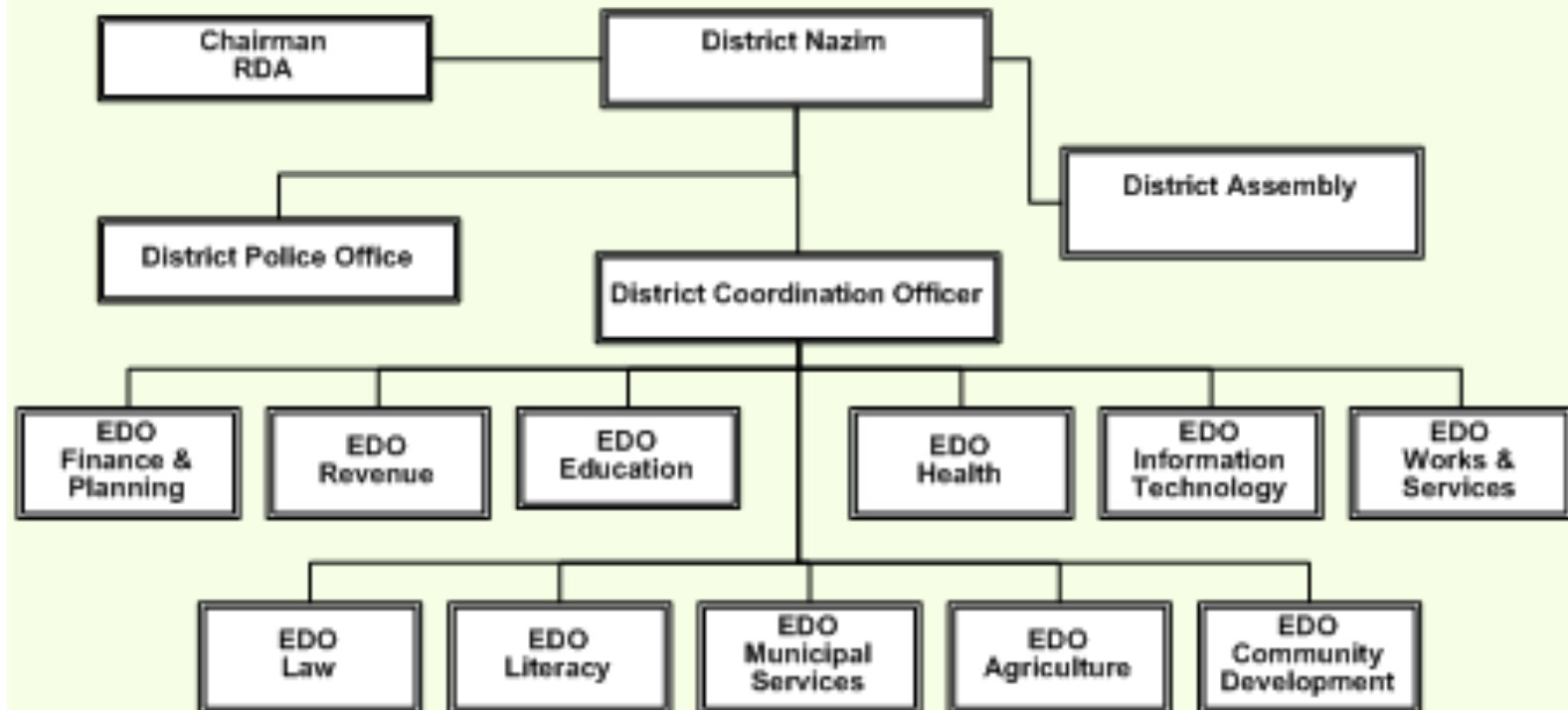


Organogram



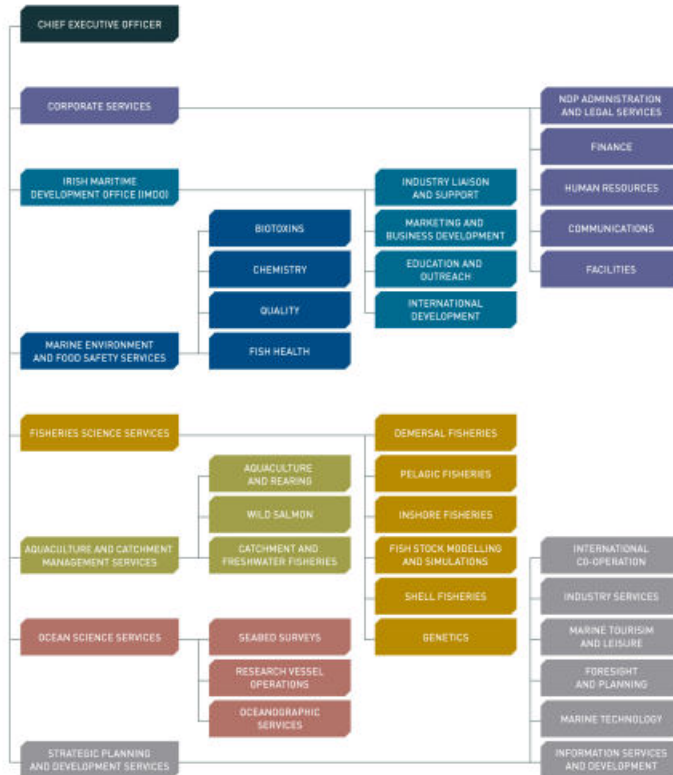
Organogram

City District Government Rawalpindi Organogram



Organogram

ORGANOGRAM



Activity

- On your own: draw up a list of potential organisational structuring principles.
- In a pair, refine your list with your partner and:
 - Identify two structuring principles that could be used together
 - Identify two structuring principles that do not combine well
- In a group of 4 refine the list further and come up with your best pair of principles that work together and the pair that do not work together. Try to think of a company that could use the pair you suggest in each case.

Some Structuring Principles

- Function
- Geography
- Ownership
- Product Line
- Technology
- Operational Structure
- Depth of Hierarchy
- Centralised versus decentralised
- What structure is appropriate to the size of company?

Guardian on VW Dieselgate

Graham Ruddick

Thursday 17 December 2015 12.34 GMT

Volkswagen has made sweeping changes to its senior management team as it attempts to cut costs and overhaul its culture following the diesel emissions scandal.

The German carmaker has almost halved the number of senior managers reporting directly to Matthias Müller, the chief executive, and brought in several new faces.

Müller has pledged to transform the notoriously unwieldy structure of VW after the company admitted that the emissions scandal had occurred because of a “whole chain” of errors and a corporate mindset that tolerated rule-breaking.

He said the management changes would “speed up the decision-making process, reduce complexity and increase efficiency”.

VW Response to Dieseldgate

- Key elements of the process optimization are:
 - Early documentation and interpretation of legislation around the world and alignment of the product portfolio with the legal requirements
 - Guidelines for the development of software for drive control units with documentation of the features with relevance for registration
 - Introduction of multiple controls for approvals in the product development process
 - **Reorganization within Development for the purpose of separating the responsibility for the development of drives from official approvals**
 - **Formation of new bodies for cross-brand management and clarification of compliance issues**
 - Uniform process standards and work instructions that give those involved legal certainty in the work process
 - Training programs in which everyone involved in the process is required to participate
 - Regular reporting to the Group Board of Management in order to create transparency in relation to the implementation status of this process optimization

Summary

- Organisational structure is essential for larger organisations
- Structure according to business priorities
- All business structures make it difficult for the organisation to respond to some risks.
- Structure to facilitate business and make it easy to respond to the most likely serious risks

MANAGERS AND LEADERS

Managers and Leaders

- One day you might want to be a manager or a director
 - What does that *mean* exactly?
 - What issues should you be sensitive to?
 - Depends on your seniority

Pause for Thought

- Managers and Leaders
- In pairs, what would you expect of:
 - A manager
 - A leader
- In terms of:
 - The activity they carry out.
 - Their personal characteristics and skills.

The Manager

- Develops plans and timetables
- Organises
- Delegates and monitors
- Exercises control, applies corrective action
- Communicates
- Motivates
- Delivers (predictable)
- Looks inwards

Leader can emerge ...

- Perceived by group as most competent in leadership functions -
- Task-orientated: coordinating, initiating contributions, evaluating, information seeking and giving, opinion seeking and giving, motivating
- Socio-emotional: reconciling differences, arbitrating, encouraging participation, increasing cohesion

The Leader

- Establishes direction
- Develops vision
- Communicates and inspires vision
- Energises others
- Innovates
- Figurehead, Spokesman
- Looks outwards

Summary

- Managers manage, leaders lead
- Managers have a specific role within the organisational structure:
 - Replaceable
 - Trainable
- Leaders provide direction, may arise from anywhere:
 - Not easily replaceable
 - Not trainable

CONTROLLING ORGANIZATIONS

Organisation

- A company is an instrument for maximising value for the shareholders
- Driven by markets – lack of understanding of market = no customers = no business
- Driven by resources – lack of understanding = lack of control
- The more senior you become the more these will be concerns

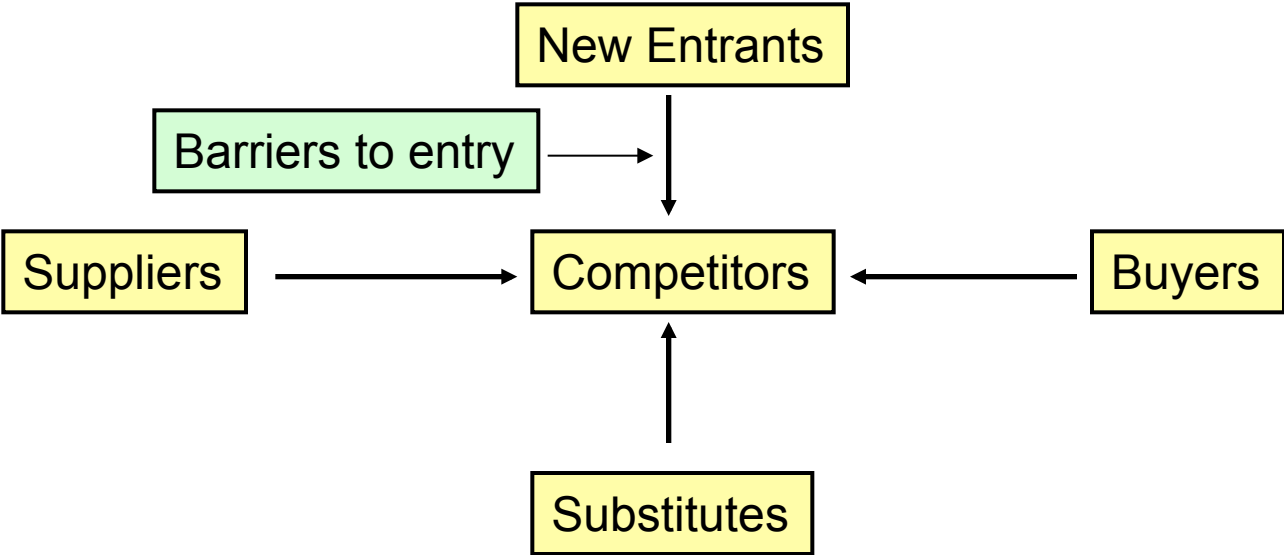
Performance areas (Drucker)

- Market standing
- Innovation
- Productivity
- Physical and financial resources
- Profitability
- Worker performance and attitudes
- Manager performance and development
- Public responsibility

Markets and Marketing

- Marketing is not stuff through your letter-box or people cold-calling you at 6pm.
- Marketing is the business of understanding the market, your place in it, your opportunities, threats, competition and your customers
- There exist many tools and models to help understand them

Porter's 5 forces



Examples

- New Entrant: Ford - Tesla
- Substitute: Vinyl record – CD – iTunes - Spotify
- Control of suppliers – Tesco
- Control of buyers – monopoly
- Control by buyers – perfect market; eBay?

- Barriers to entry – Semiconductor industry – mobile phones...

P.E.S.T. / S.W.O.T.

- Political
- Economic
- Social
- Technological
- Strengths
- Weaknesses (internal)
- Opportunities

- Threats (external)

P.E.S.T. – car market

- Political – emissions reduction targets
 - Works against internal combustion engines
- Economic – control of rare earth production
 - Raises concerns over electric vehicles
- Social – family size, behaviour
 - 1-parent families – hatchbacks?
 - Millennials: Transport as a service
- Technological – new products
 - Hydrogen, hybrids, recyclable materials

Marketing Mix – the 4 * Ps

- Product
 - Quality, features, name, packaging, services, guarantee
- Price
 - List price, discounts, credit
- Promotion
 - Advertising, personal selling
- Place
 - Distributors, retailers, locations, transport

Competition

- Can compete on *cost or differentiation*:
 - Cost: make the same thing cheaper
 - Differentiation: make it different / better / here
- Competitiveness based on core competencies
 - Anyone can make Coca-Cola
 - Only they have the network of licensed manufacturers and distributors (and the brand name)
 - Anyone can put an aircraft in the sky
 - Only the profitable airlines can fill it every time
- Each survivor is uniquely superior to all others in some way and thus occupies a niche

Breakout

You are a horse-buggy whip manufacturer ca. 1910

Consider the market you are in, perform a PEST and SWOT analysis and indicate what market repositioning might be advantageous

S.W.O.T.

Horse-buggy whip manufacturer, 1910 sees horses making way for cars

- Strength: has supply chain to reach buggy owners / future car owners
- Weakness: product is horse-dependent
- Threat: cars make product obsolete
- Opportunity: reposition as supplier of driver accessories

Actually they didn't and went out of business

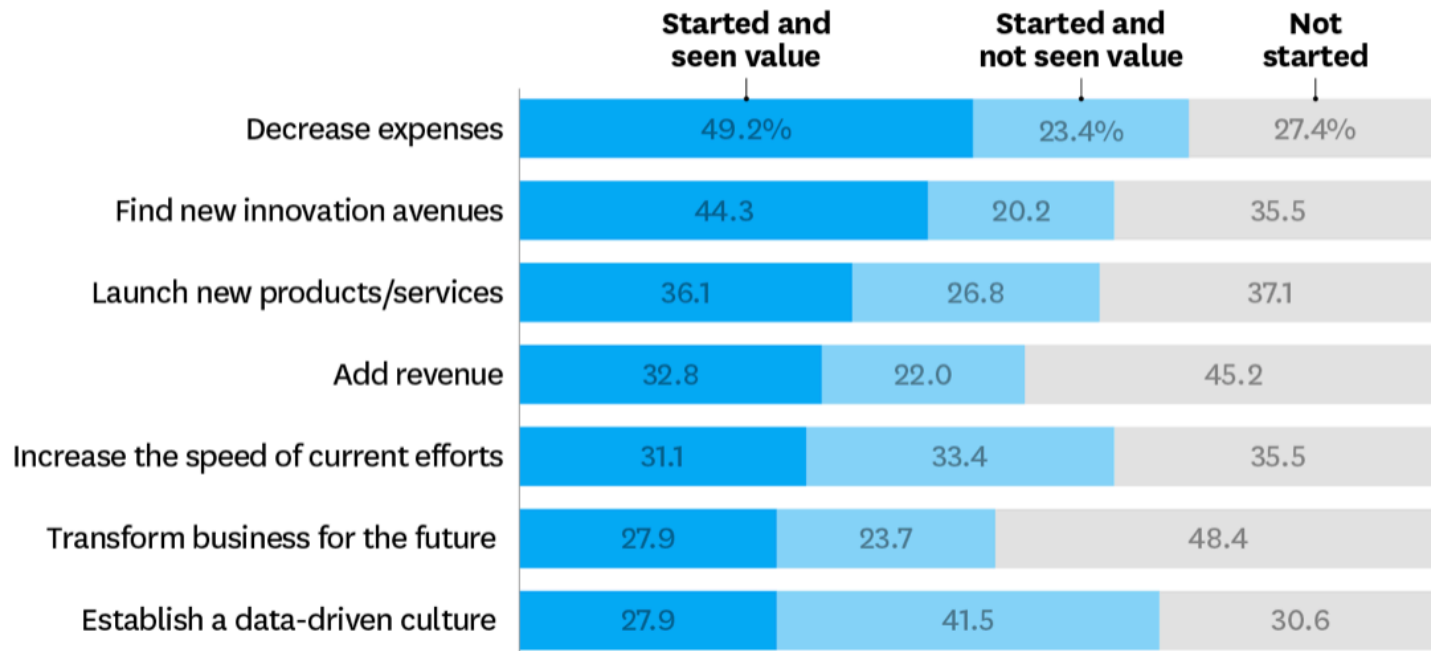
Market repositioning

- McDonalds
- Royal Bank of Scotland
- Burberry
- Apple

Data...

How Fortune 1000 Executives Report Using Big Data

The projects they've started, and where they're finding value.



SOURCE NEWVANTAGE PARTNERS BIG DATA EXECUTIVE SURVEY, 2017

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Summary

- Successful organizations know their markets
- Successful organizations are sensitive to changes in markets
- Successful organisations measure what is going on in markets
- Companies use data to support strategic decisions (and this is changing rapidly).