ORGANIZATIONAL DESIGN AND BEHAVIOR (87139)

Organizational structure and culture

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Office hours
Thursday, 1-2 pm

CASE 3
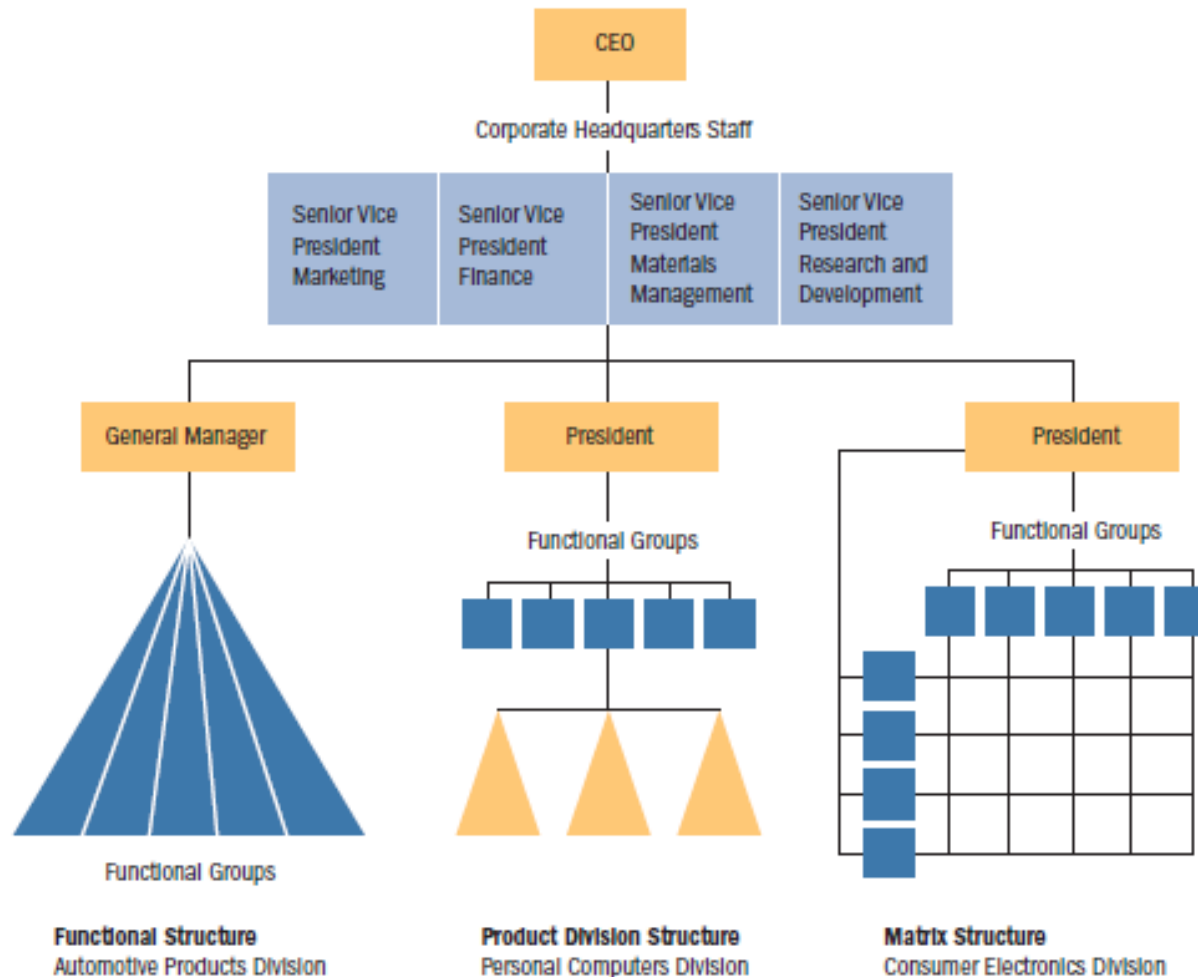# Creating GM'S Multidivisional Structure

PART I
Organizational structure
[coda]

Types of organizational structure

- functional structure;
- divisional structure;
- matrix structure;
- network organizations (?)

A hybrid multi-divisional structure

CEO

Corporate Headquarters Staff

| Senior Vice President Marketing | Senior Vice President Finance | Senior Vice President Materials Management | Senior Vice President Research and Development |

General Manager

President

President

Functional Groups

Functional Groups

Functional Groups

Functional Structure
Automotive Products Division

Product Division Structure
Personal Computers Division

Matrix Structure
Consumer Electronics Division

Matrix structure - origins

The matrix organizational structure **originated from the US space program in the 1960s**.

The aerospace companies involved adopted a second dimension in their hierarchical structure.

The program managers of major programs and the leaders of the individual functions simultaneously reported to the head of an aerospace company.

The purpose was to pursue both cost and schedule priorities in the overall program, as well as technical excellence and design in the functions.

The two initiatives were equally important and critical to putting a man on the moon and bringing him back.

Matrix structure

- an organizational structure that groups people and resources in two ways simultaneously (e.g. by function and by product);
- it takes the shape of a grid that shows a *vertical* flow of *functional* responsibility and a *horizontal* flow of *product* responsibility.
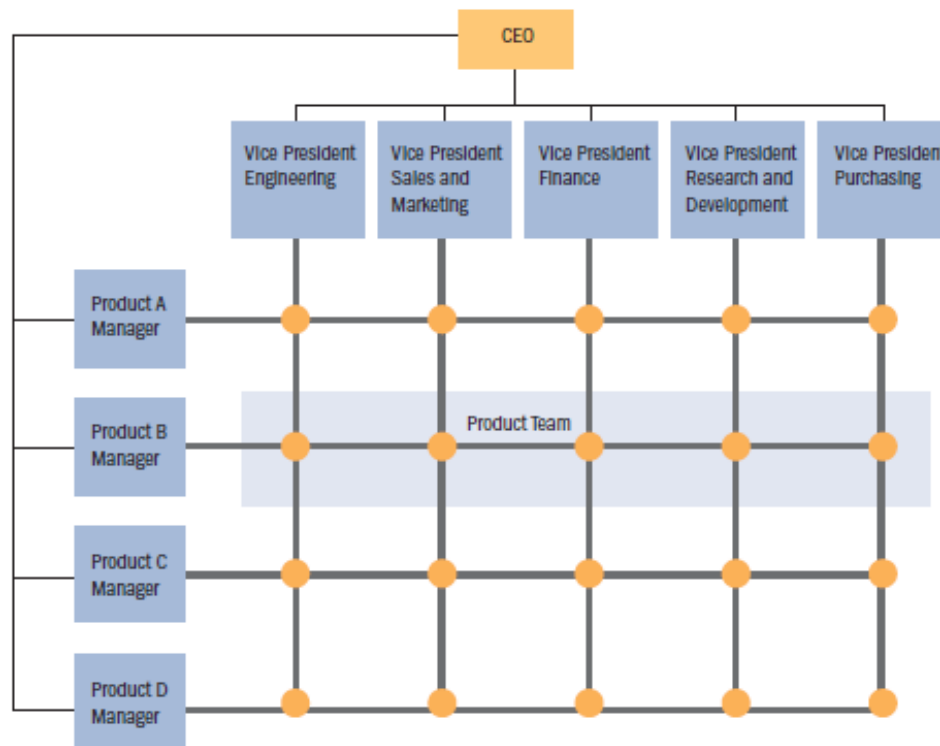
Organigram of a matrix organization.

Its basic unit is the **product team**, in which each employee reports to two bosses.

Other companies that used the matrix organizational structure

The Dutch electrical giant **Philips** started using the matrix structure in 1970 and was one of the early champions of this type of organizational structure. The company's managers were reporting simultaneously to their production head and geographical managers.

It became so successful that other multinational organizations such as **Hughes Aircraft**, **Texas Instruments** and **Caterpillar Tractors** adopted the same structure.

Advantages of matrix structure

1) cross-functional teams reduce functional barriers and overcome the problem of subunit orientation;

2) opens up communication between functional members and allows team members to learn from one another different skills;

3) it develops well the skills of its most specialized employees, who move from division to division as needed;

4) promote concern for both costs and quality.

→ When an organization has a complex environment and multiple objectives, a matrix structure will be a good fit.

Disadvantages of matrix structure

1) conflict of interests and objectives: what happens when the two bosses of an employee disagree?

2) cost and resource allocation becomes fuzzy and products tend to exceed their budgets;

3) sometimes technical problems cannot be overcome by specialists;

4) when top managers do not get the expected result, they tend to centralize decision > risk of bureaucratization.

The network structure
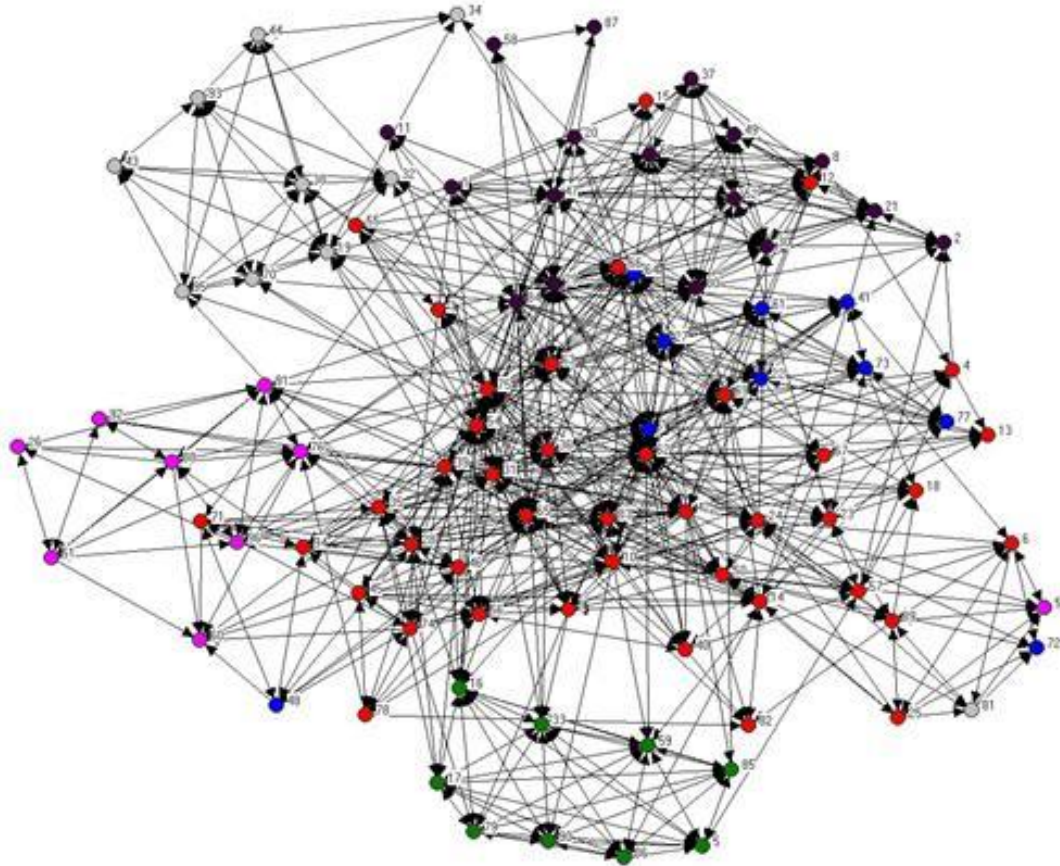
A network is a cluster of individuals and organizations whose actions are coordinated by contracts and agreements, rather than by a formal hierarchy of authority

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Outsourcing

- it consists in moving a value-creation activity that was done inside an organization to the outside, where it is performed by another company.

- supported by ICTs, nowadays companies form agreements with a whole range of suppliers, manufacturers, and distributors, that change over time.

Advantages and disadvantages of networks

1) production and bureaucratic costs are reduced;

2) if the environment changes, inter-organizational relations can be easily rearranged.

1) difficult to accumulate knowledge and experience;

2) difficult to produce innovation because no-one has the incentives to do so;

3) difficult to control the value-chain.

Miscellaneous organizational structures

o virtual or boundaryless organizations;

o adhocracies, holocracies;

o spaghetti structure and team-based organizations;

o circular structures, flat structures…
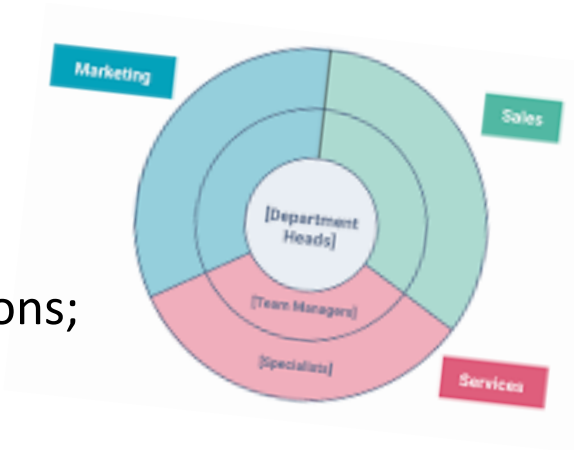
Beware of fads!

Puranam, P., Alexy, O., & Reitzig, M. (2014). What's "new" about new forms of organizing?. *Academy of Management Review*, *39*(2), 162-180.

>> What type of organizational structure has Amazon? And what about Apple?
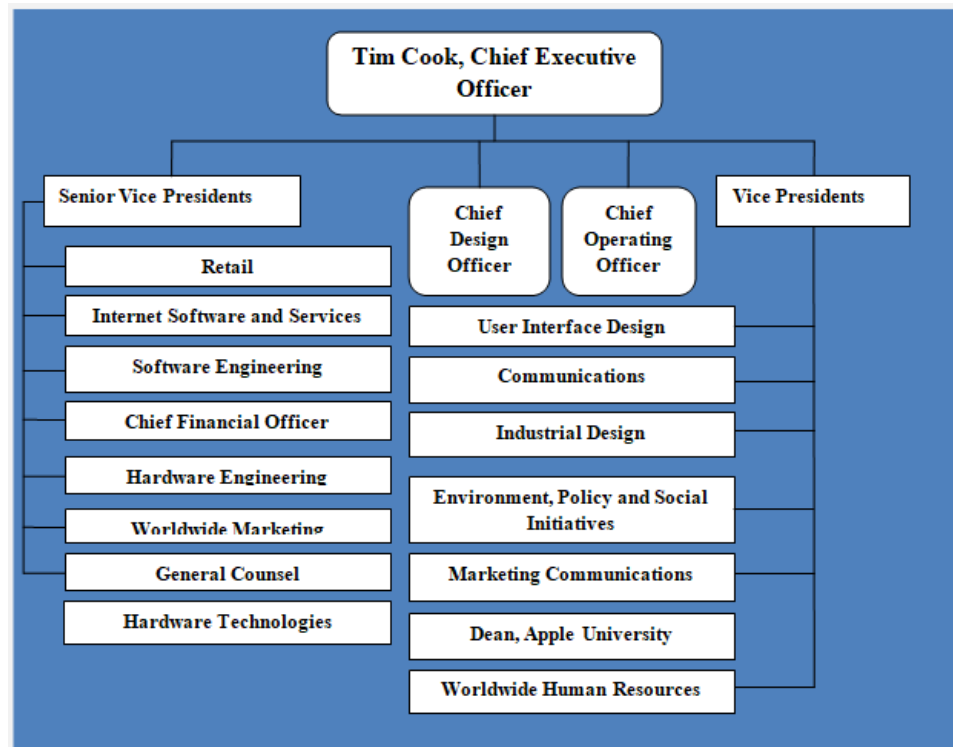
- the functional type remains the basic default option to operate efficiently;
- you can have a global functional structure also in complex and dynamics industries or in novel businesses (e.g. in food delivery);
- what matters is the structural orientation at first hierarchical level below the TMT!!!

Key takeaways

I. There are trade-offs in OD: make an informed choice and try to counterbalance the downsides of it!

II. Principle of minimum chain of command: an organization should be kept as flat as possible!

III. There are three basic types of organizational structure: functional, divisional and matrix. Beware of fads!

IV. Keep it simple! do not unnecessarily complicate your organizational structure. The basic default option is always the functional one.

Additional resources

- On why organizations and their members need hierarchy: https://www.linkedin.com/pulse/20140112221140-15893932-hierarchy-is-good-hierarchy-is-essential-and-less-isn-t-always-better/

- A Deloitte consultant explains how organizations are getting more flexible and team-based nowadays thanks to ICTs: https://www.youtube.com/watch?v=e3ENzlVXlsk

- Steve Jobs on organizational structure at Apple, how and why he shaped it as it is: https://www.youtube.com/watch?v=xcTtQ0hiHbE

- More on other (alternative?) organizational structures: https://www.youtube.com/watch?v=kv7aa754GzE

PART II
Organizational culture

Organizational culture

is the set of **shared values and norms** that controls organizational members' interactions with each other and with suppliers, customers, and other people outside the organization

" the way we do things around here"
(Cowling and Lundy, 1996)

"a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems"
(Schein, 1984)

Values in organizations

➤ In social science they are also said 'ultimate goals' = goals that cannot serve as means for other goals.

➤ Values are fundamental for people's self-definition, also at the workplace.

In organizations we have **multiple sources of values**:
- personal values;
- professional values;
- office/department values;
- values coming from outside memberships (e.g. religious, activist values);
- national values or value-orientations;
…
- **organizational values!**

➢ National values and orientation

https://www.hofstede-insights.com/country-comparison/italy/
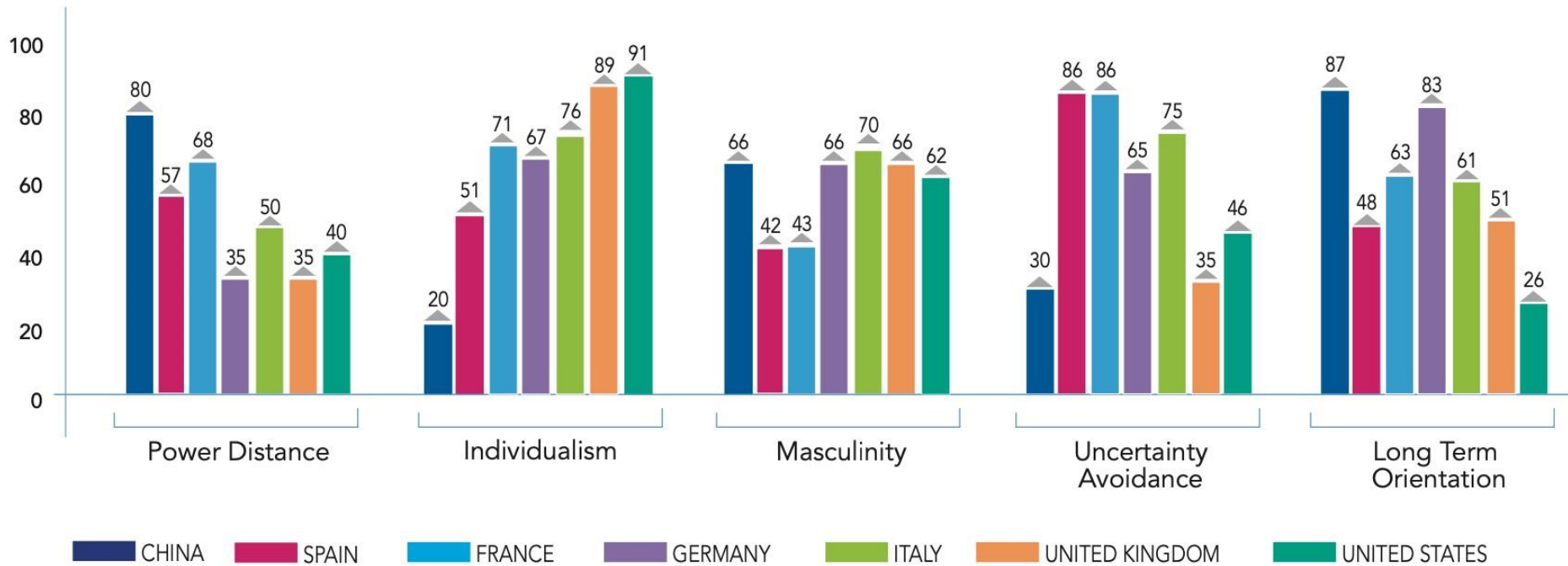
Organizational values

- mission and vision statements;

- ethical code-code of conduct;

- company documents, reports, website;

- informal norms and values.

Some examples here:
https://inside.6q.io/190-examples-of-company-values/

But not only values!

- habits, customs, traditions;
- stories, myths, legends and sagas;
- language, slogans, key words, logos and symbols;
- material aspects e.g. ways of dressing, artifacts;
- visual and aesthetic elements, like logos, office layout;
- rites/rituals […]

TABLE 7.2   Organizational Rites

Type of Rite	Example of Rite	Purpose of Rite
Rite of passage	Induction and basic training	Learn and internalize norms and values
Rite of integration	Office Christmas party	Build common norms and values
Rite of enhancement	Presentation of annual award	Motivate commitment to norms and values

organizational anthropologists study company tribes!

CASE 1
IKEA's organizational culture

Why organizational culture is important?

1) <mark>CULTURE CAN BE A SOURCE OF COMPETITIVE ADVANTAGE</mark>

> the peculiar combination of values, artefacts and practices of a company is difficult to copy;

2) <mark>CULTURE CAN BE AN OBSTACLE TO ORGANIZATIONAL CHANGE AND AGILITY</mark>

> people normally reacts badly to attempts to change organizational culture, because culture is ingrained in personal/work identity = they feel manipulated
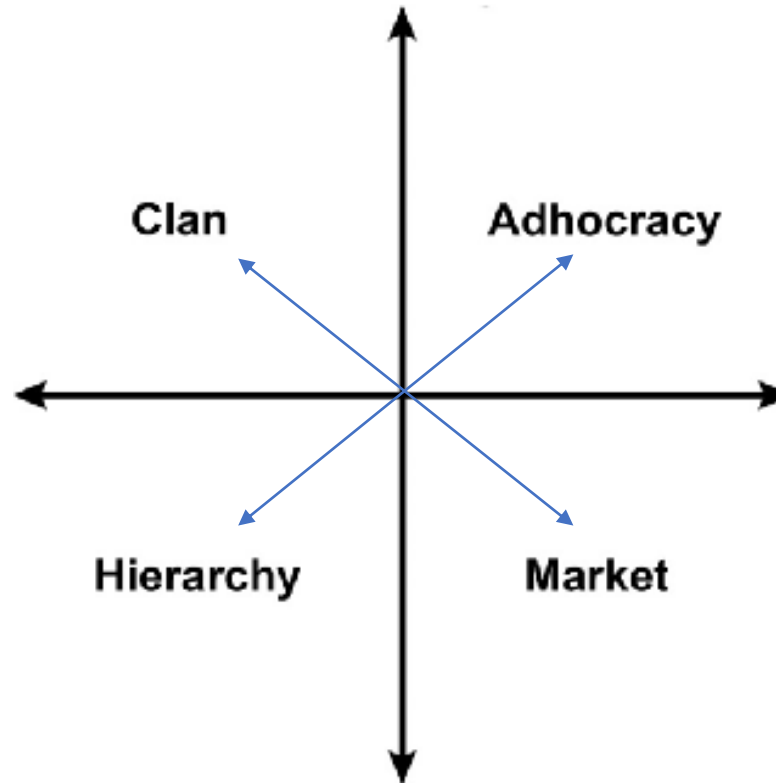
3) <mark>CULTURE CAN BE A CRUCIAL CONTROL SYSTEM FOR PREVENTING UNETHICAL BEHAVIORS AND CORPORATE SCANDALS</mark>

> not just at the top level, but at all organizational levels – a key means to balance profit goals with social responsibility ones…
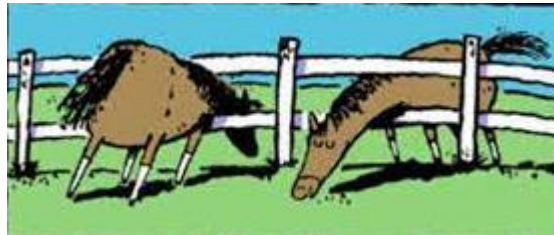
Competing Values Framework
Cameron & Quinn (1999)

Flexibility

Internal focus

Clan
Family
Mentoring
Nurturing
Participation

Adhocracy
Dynamic
Entrepreneurial
Risk-taking
Values innovation

External focus

Hierarchy
Structure
Control
Coordination
Efficiency

Market
Results oriented
Competition
Achievement
Gets the job done

Stability and control

Paradox of organizational culture

The grass on the other side of the fence is always greener!
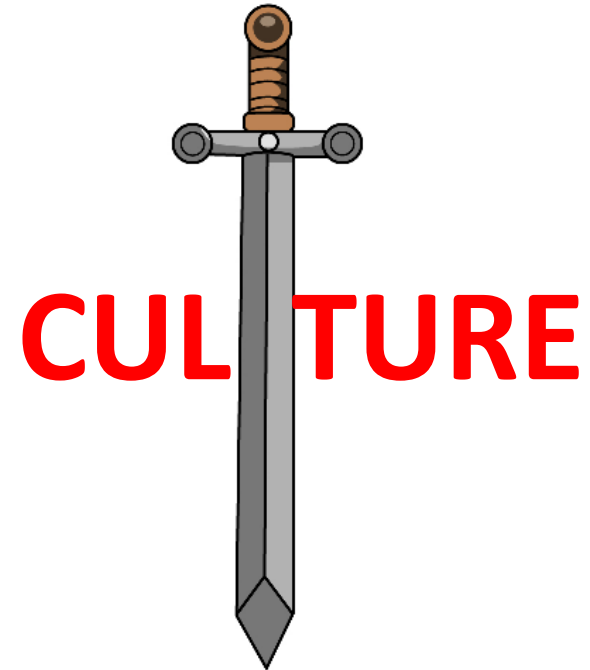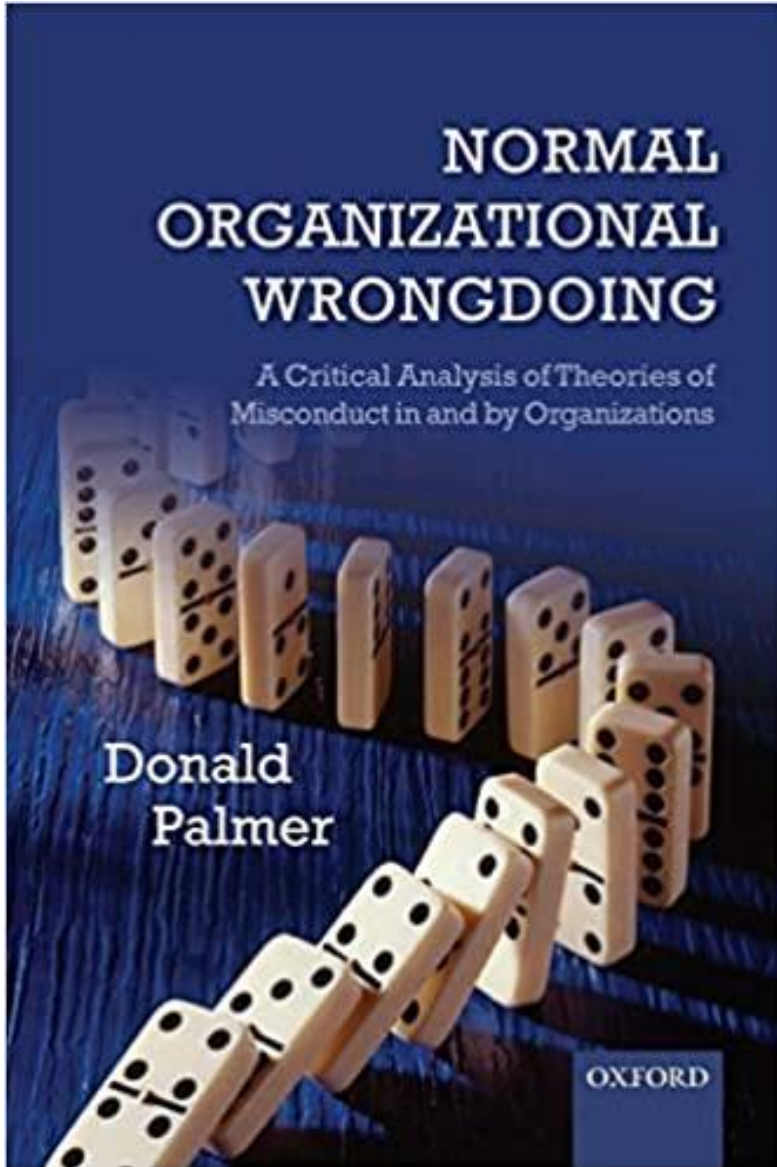
Organizational culture

subcultures

... and countercultures!

Dysfunctional aspects of a cohesive organizational culture

- whatever the values, too cohesive cultures promote conformism;

- conformism can become intolerance for diverse and deviant individuals;

- loyalty to the organization can overcome other values and principles e.g. social responsibility, compliance with the law, environmentalism;

- too cohesive cultures are prone to cover misbehaviors and crimes at the aim of protecting themselves e.g., retaliation against **whistleblowers**!!!

CULTURE

Can organizational culture be changed?

BEWARE OF CULTURAL ENGINEERING: the literature is full of failed attempts of cultural change in organizations!!!

1) values are deep components of the personality: it is difficult to influence them;

2) when people have the perception of being manipulated through slogans, motivational videos, managerial rhetoric etc. they tend to become cynical;

3) resistance strategies can arise as a response to cultural control techniques.

Analyzing organizational culture

1) familiarize yourself with the organization's culture, subculture and countercultures;
2) assess whether the goals, rules and procedures effectively transmit the official values to organizational members;
3) examine how new members are socialized, and assess whether they effectively learn organizational values;
4) develop and spread habits, rites, ceremonies, stories and images that can reinforce or change organizational values.

Some tips on how to change organizational culture

✓ Culture is often evident in the "soft" aspects of an organization (rituals and routines, stories, symbols etc.)... try to change/renew them to influence organizational culture;

✓ Culture is also reflected by the "hard" elements of an organization (power structure, organizational chart, incentive and control systems, organizational layout and aesthetics)... also change them accordingly with the intended cultural change;

✓ The leadership team has to be involved because leaders have to signal the new type of behavior that is required (role modelling).

Aligning organizational culture and structure

Structure	Values
Functional	rationality, efficiency, technical competence, authority based on personal knowledge and experience;
Divisional	effectiveness, customer-orientation and service, quality, adaptability to external demands;
Matrix	complexity, creativity, innovation, problem solving, paradox mindset, tolerance of ambiguity;
Network (?)	flexibility, competition, entrepreneurship, continuous learning and adaptability.

NETFLIX

CASE DISCUSSION
I. Individually, please access to
https://jobs.netflix.com/culture
and read Netflix's cultural manifesto.

II. Read the additional text provided by the instructor and try to answer to the following questions while reading it:

1) what are the key values of Netflix's organizational culture according to you?
2) to which of the four cultural types seen during the lesson does Netflix resemble the most (clan, hierarchy, market, adhocracy)?
3) in light of its culture, would you like to work at Netflix (yes/no) and why?

Additional resources

- The classic piece by Edgar Schein (1984) on organizational culture: https://sloanreview.mit.edu/article/coming-to-a-new-awareness-of-organizational-culture/

- A video overview on organizational culture: https://www.youtube.com/watch?v=MfL_0ko4T3o

- A managerialist view on subcultures and countercultures: https://www.ekoapp.com/blog/understanding-organizational-subcultures-and-countercultures

- On the importance of a culture of giving and gratuity at the workplace:

https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/givers-take-all-the-hidden-dimension-of-corporate-culture#/

For next week, please download and bring (either printed or in a digital format)

THE EGYPTIAN SWISS CHEMICAL COMPANY

case… we will start the lesson by working on it!