

# Organizing for the Future

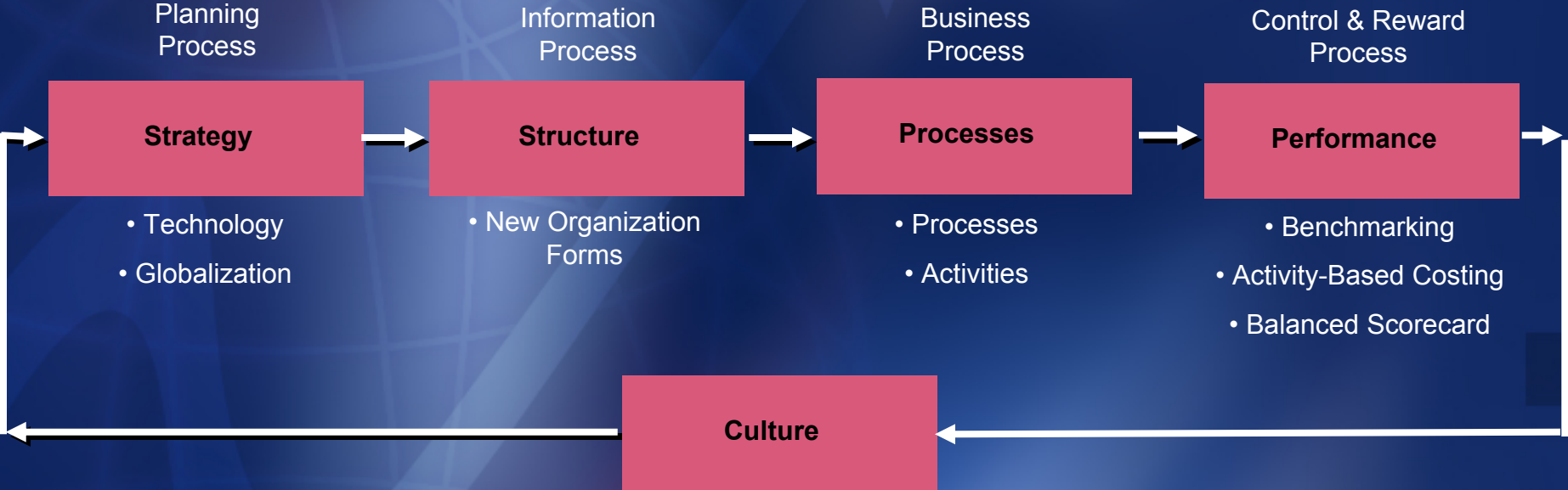
Arnoldo C. Hax

Galbraith. *Designing Organizations*. Jossey-Bass, 1995.

Galbraith, and Lawler III, et al. *Organizing for the Future: The New Logic for Managing Complex Organizations*, Jossey-Bass, 1993.

Mohrman, et al. *Tomorrow's Organizations*. Jossey-Bass, 1998.

# Strategic Management Framework



# The Value-Adding Corporation: Matching Structure with Strategy

Strategy	Growth	Structure
Single business	Internal	Functional
Related diversification	Internal	Divisional
Unrelated diversification	Acquisition	Holding company

Strategy	Structure	Centralization	Staff	Staff Role
Single	Functional	High	Small	Policy
Related	Divisional	Moderate	Large	Policy/Review
Unrelated	Holding company	Low	Small	Service

Strategy	Control Data	Type of Control
Single	Cost	Operational
Related	Profit	Strategic
Unrelated	Investment	Financial

Strategy	Compensatio	Variable	Bases	Measures	Career
Single	Company	Low	Company	Subjective	Company
Related	Company	Medium	Division/ Company	Subjective/ Objective	Company
Unrelated	Industry	High	Division	Objective	Division

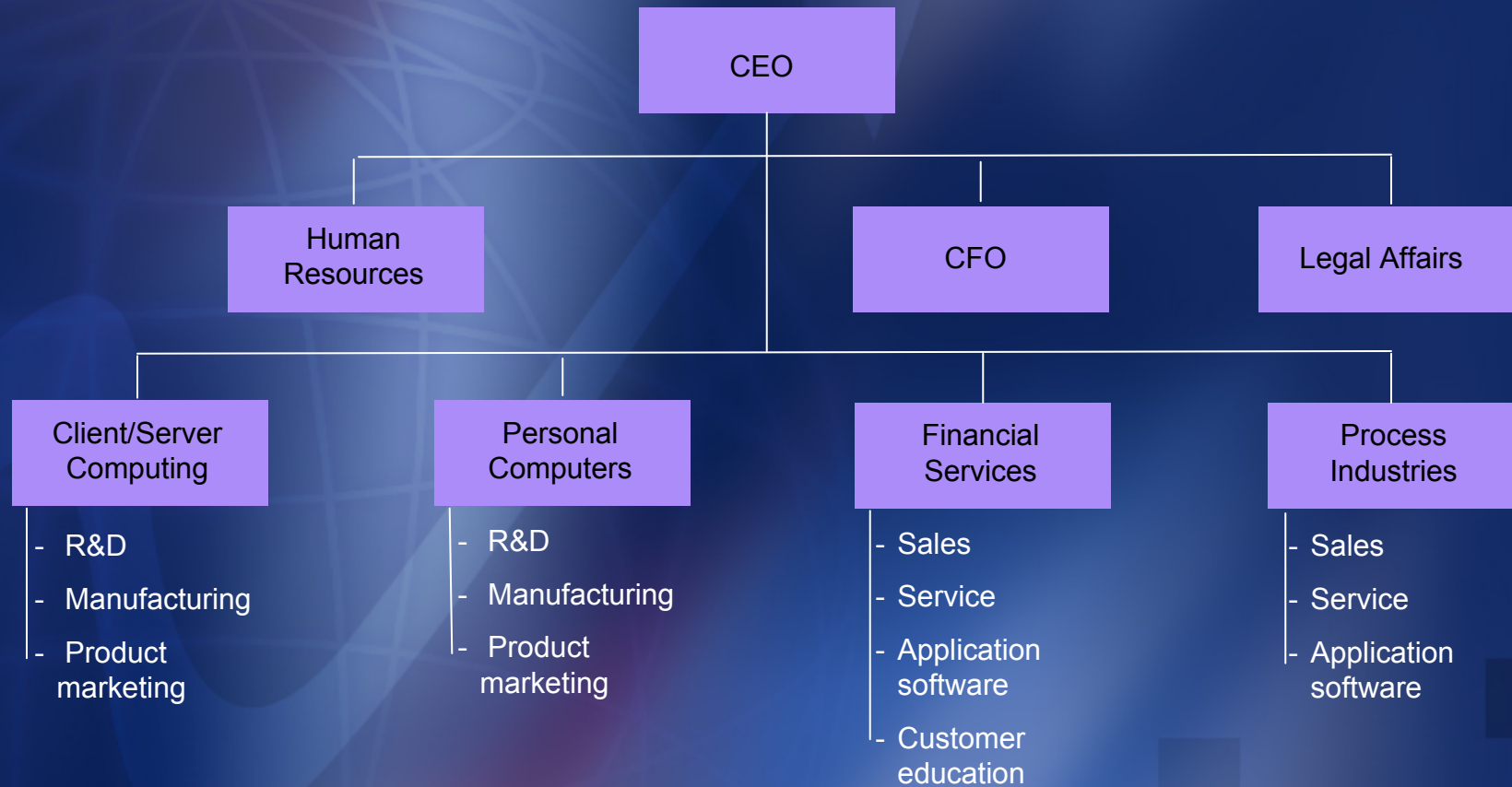
## Policies Contrasted for Two Diversified Models

<b>Strategy</b>	<b>Related</b>	<b>Unrelated</b>
<b>Structure</b>	Divisional	Holding company
<b>Centralization</b>	Moderate	Low
<b>Staff</b>	Large	Small
<b>Staff Role</b>	Policy/Review	Service
<b>Control</b>	Profit center	Investment center
<b>Control type</b>	Strategic/Financial	Financial
<b>Compensation</b>	Company	Industry
<b>Percentage variable</b>	10-30%	50% or more
<b>Measures</b>	Subjective/Objective	Objective
<b>Careers</b>	Company	Division

# New Forms of Corporate Organization: Corporate Strategy and Organization

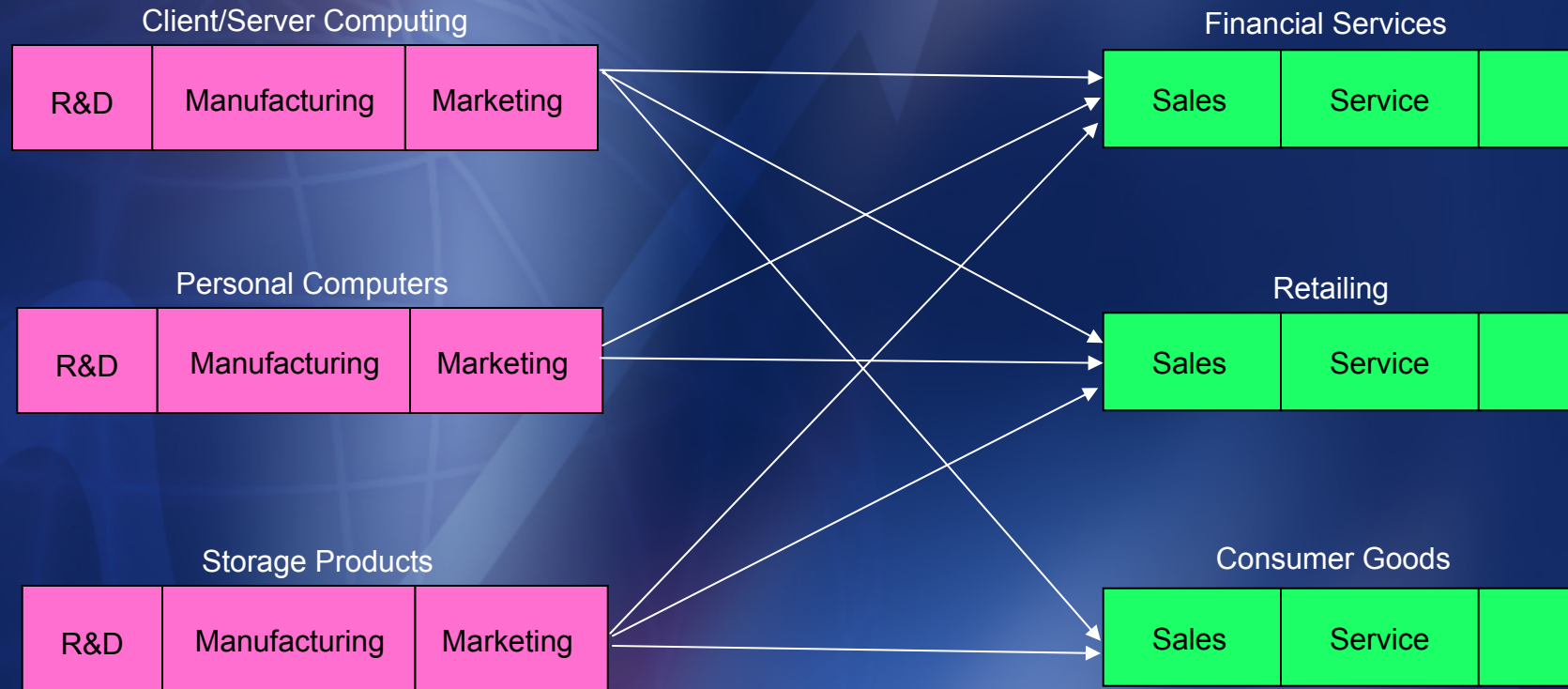
<b>Strategy</b>	Single	Dual	Related	Mixed	Unrelated	Unrelated
<b>Organization</b>	Functional	Front/Back	Divisional	Cluster	Holding	LBO
<b>Diversity</b>	Low	_____			High	Very high
<b>Value-Added</b>	High	_____				Low

# Emerging Front-End/Back-End Model: IBM's Front-Back Structure



Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

# IBM's Customer-Product Structure



Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

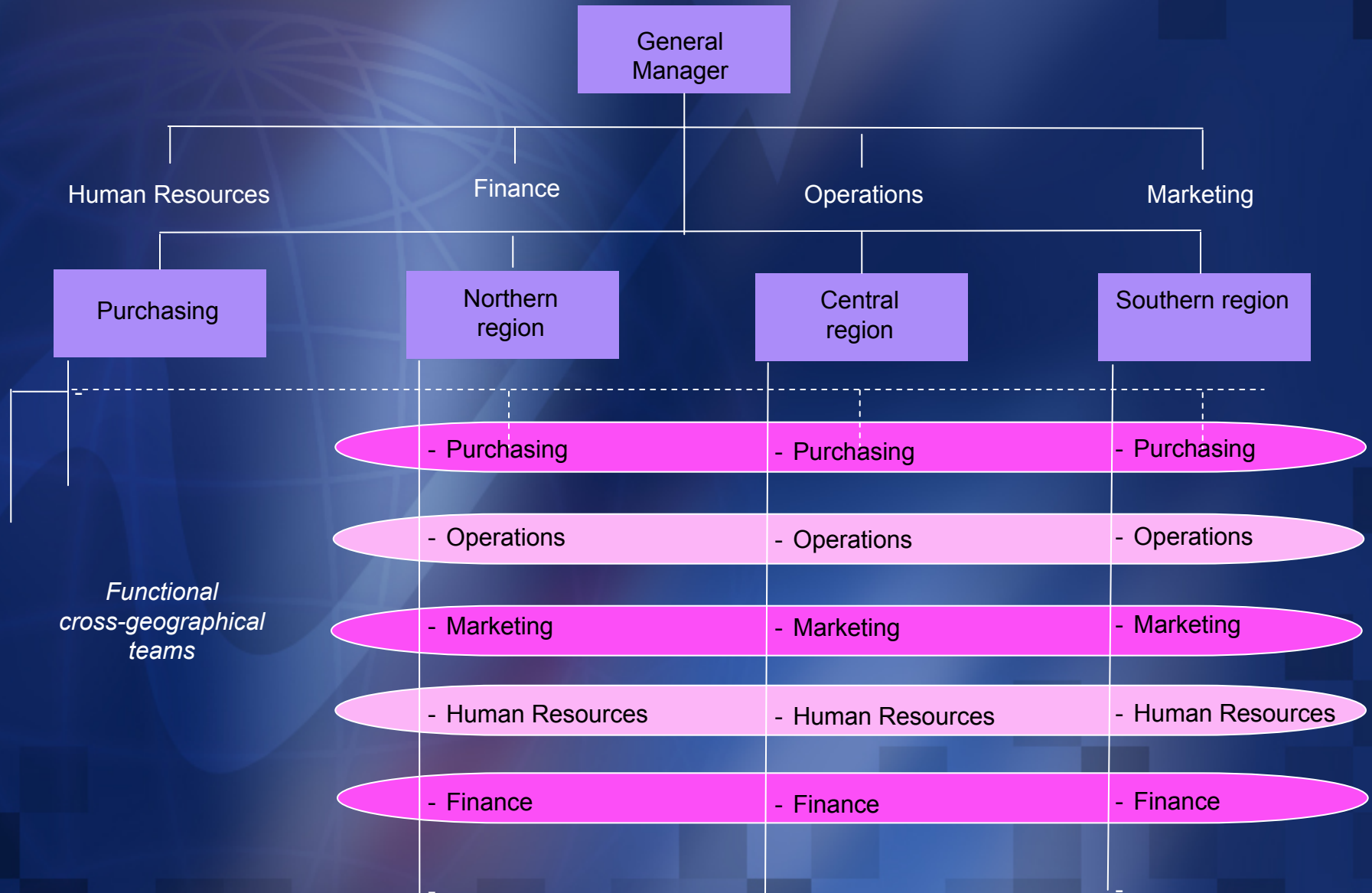
# GE's SBU Structure



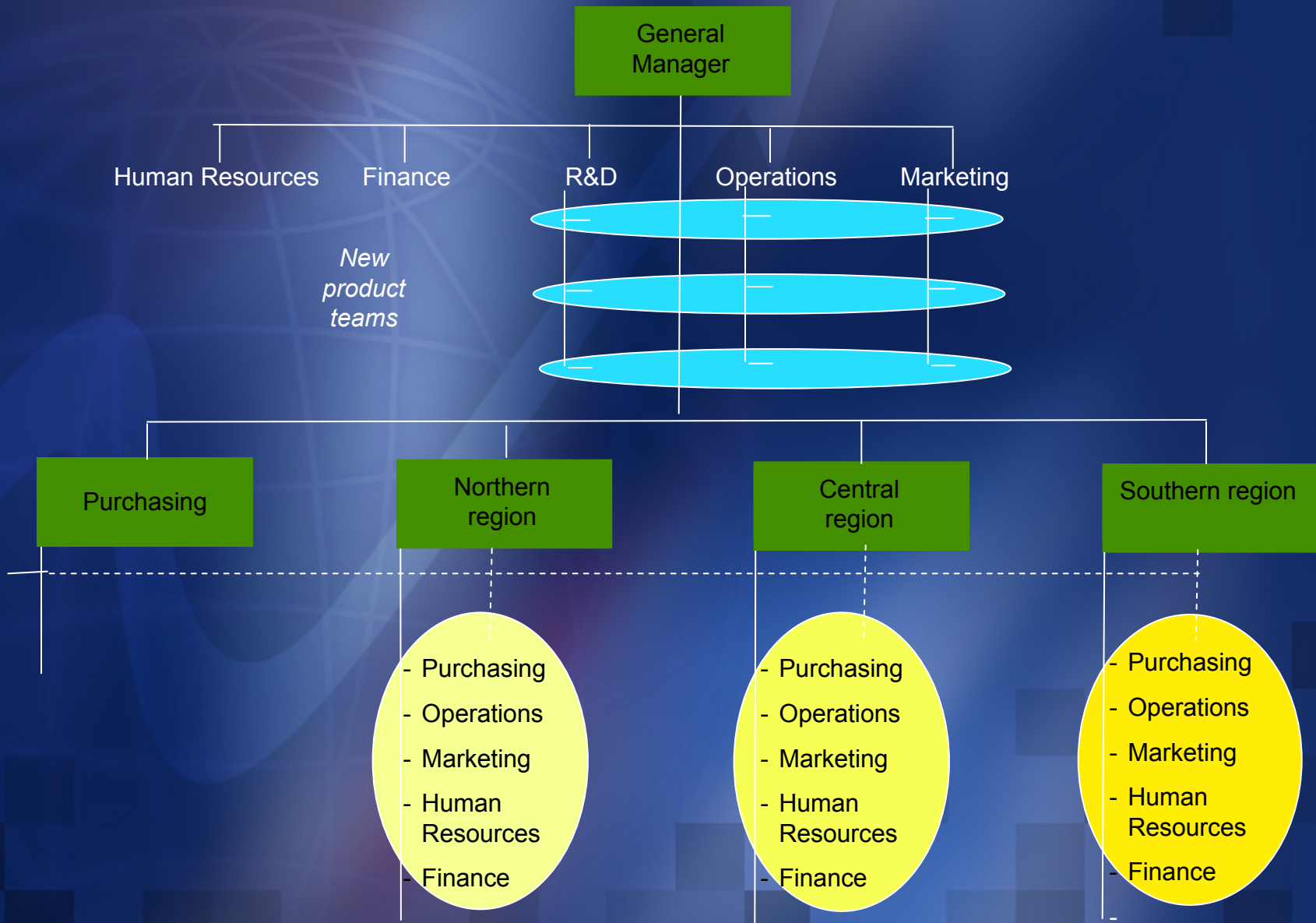
Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.



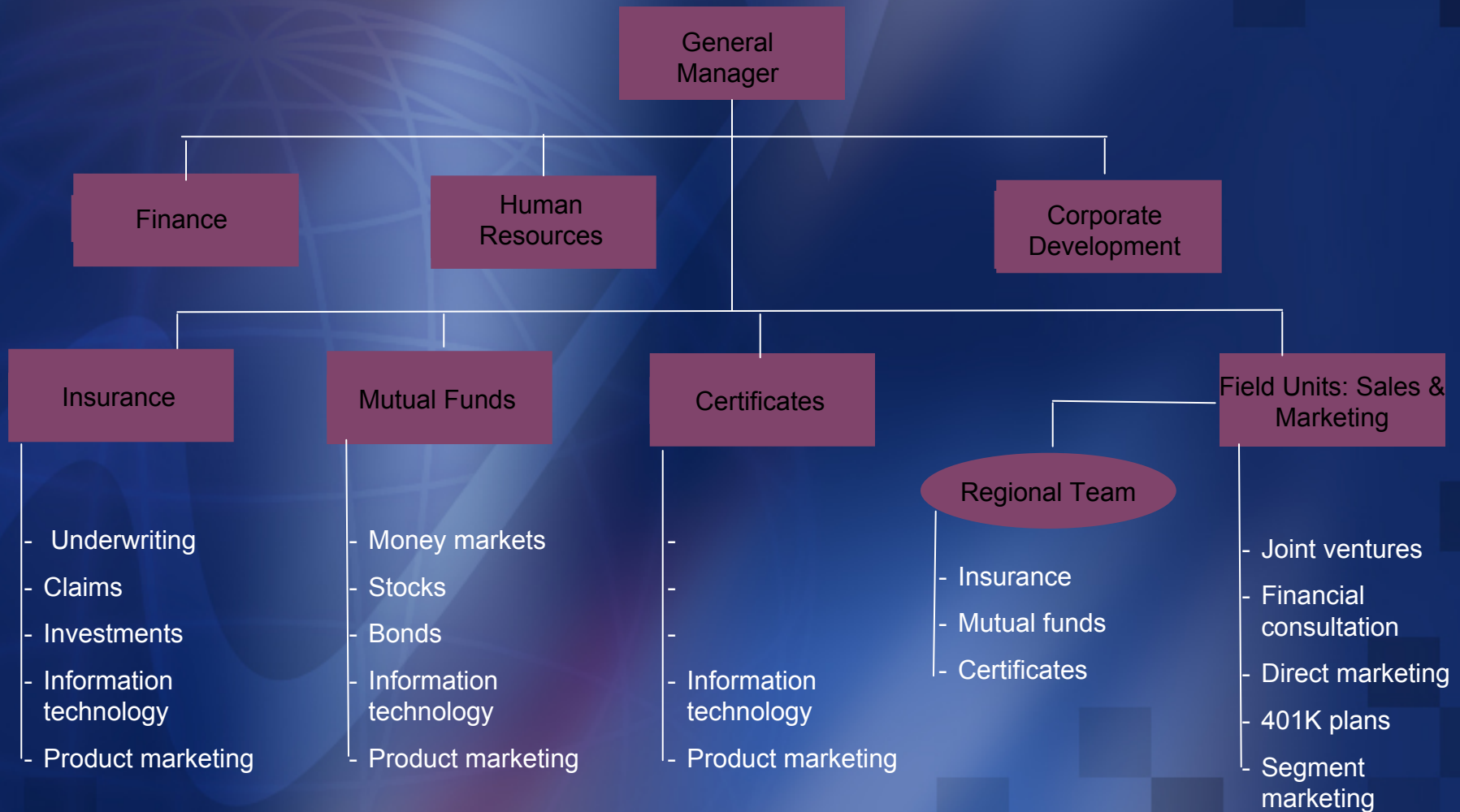
# Mirror Image Structure: Hybrid Functional/Geographical Structure with Functional Integrators and Teams



# Mirror Image Structure: Hybrid Structure Plus with Product Teams

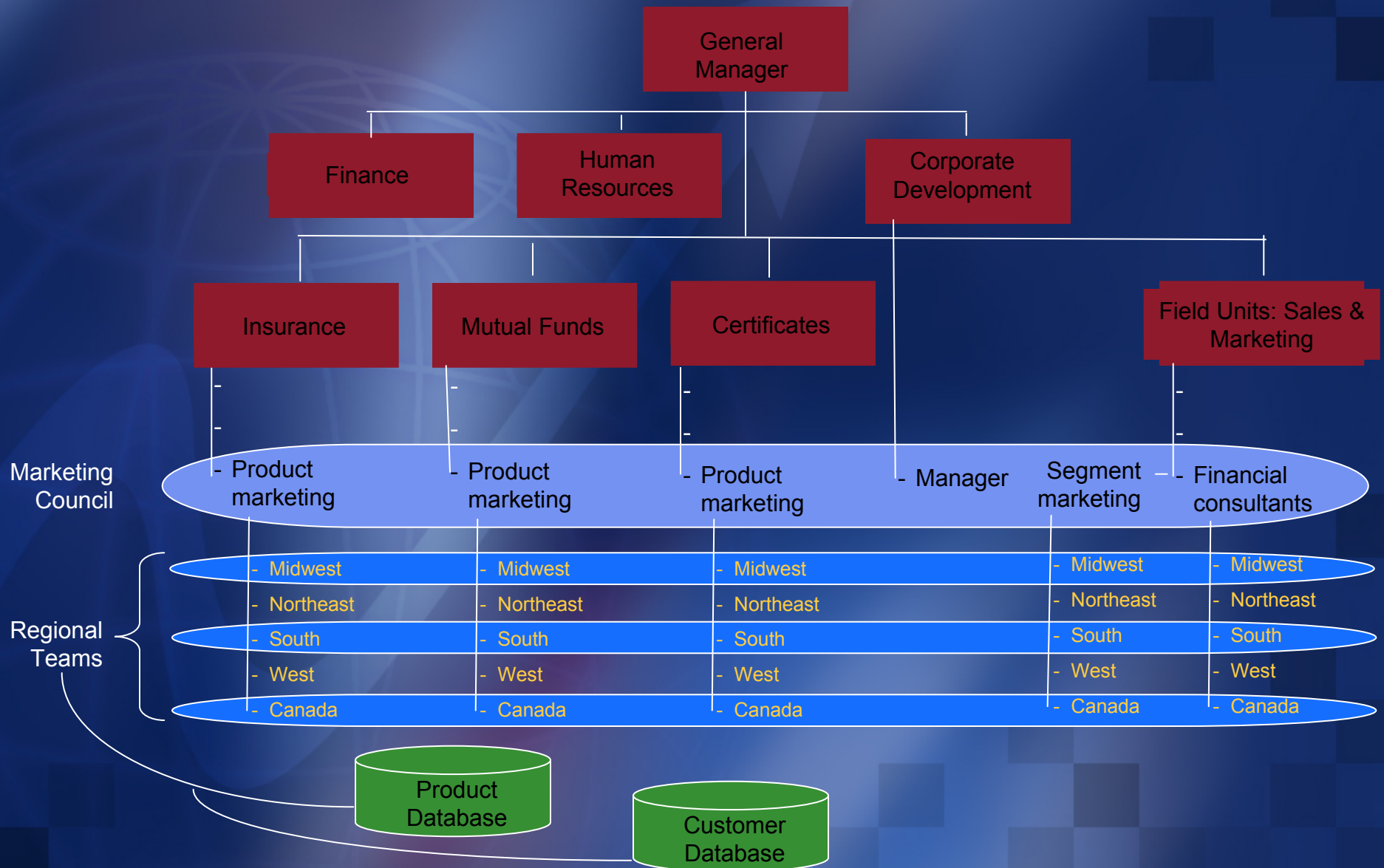


# Hybrid Structure for Financial Services



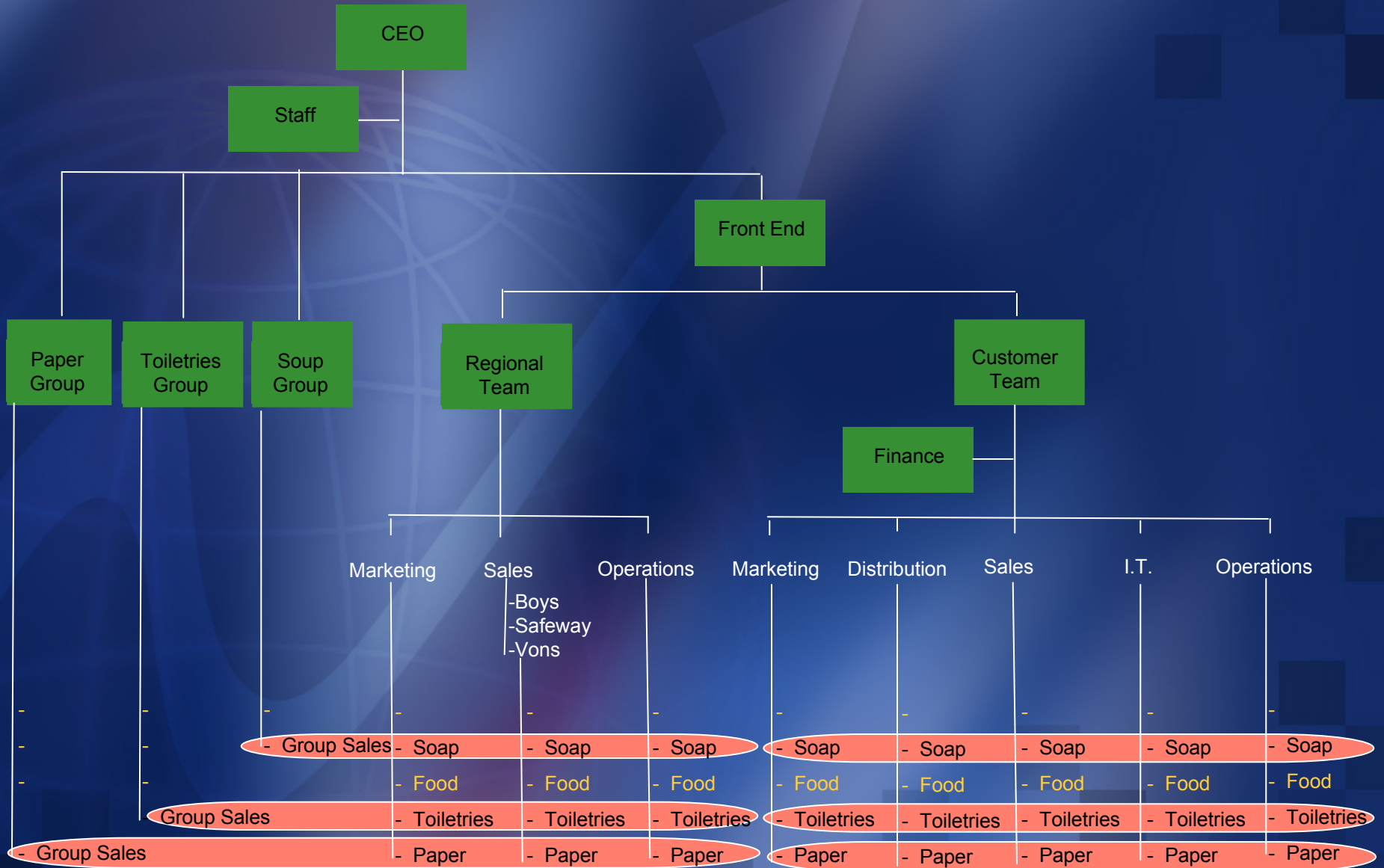
Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

# Front-Back Linkage: Regional Teams



Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

# Front-End Structure



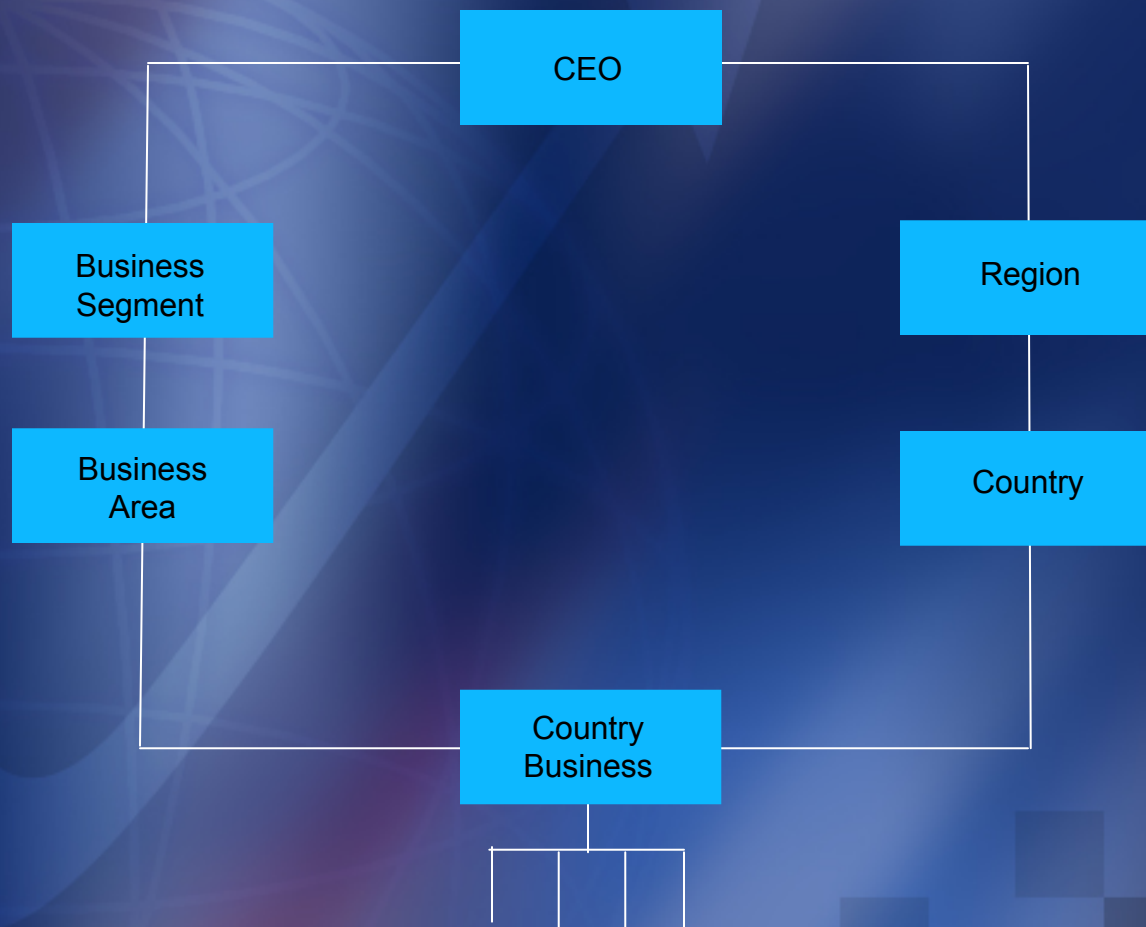
Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

## Levels of International Development

Level	Proportion of Assets & Employees Outside of the Home Country	Role of the Subsidiary	Type of International Organization
I	Zero	None	National company
II	Low	Startup	International geographical division
III	Moderate	Implementer	Multidimensional network
IV	High	Leader	Transnational organization

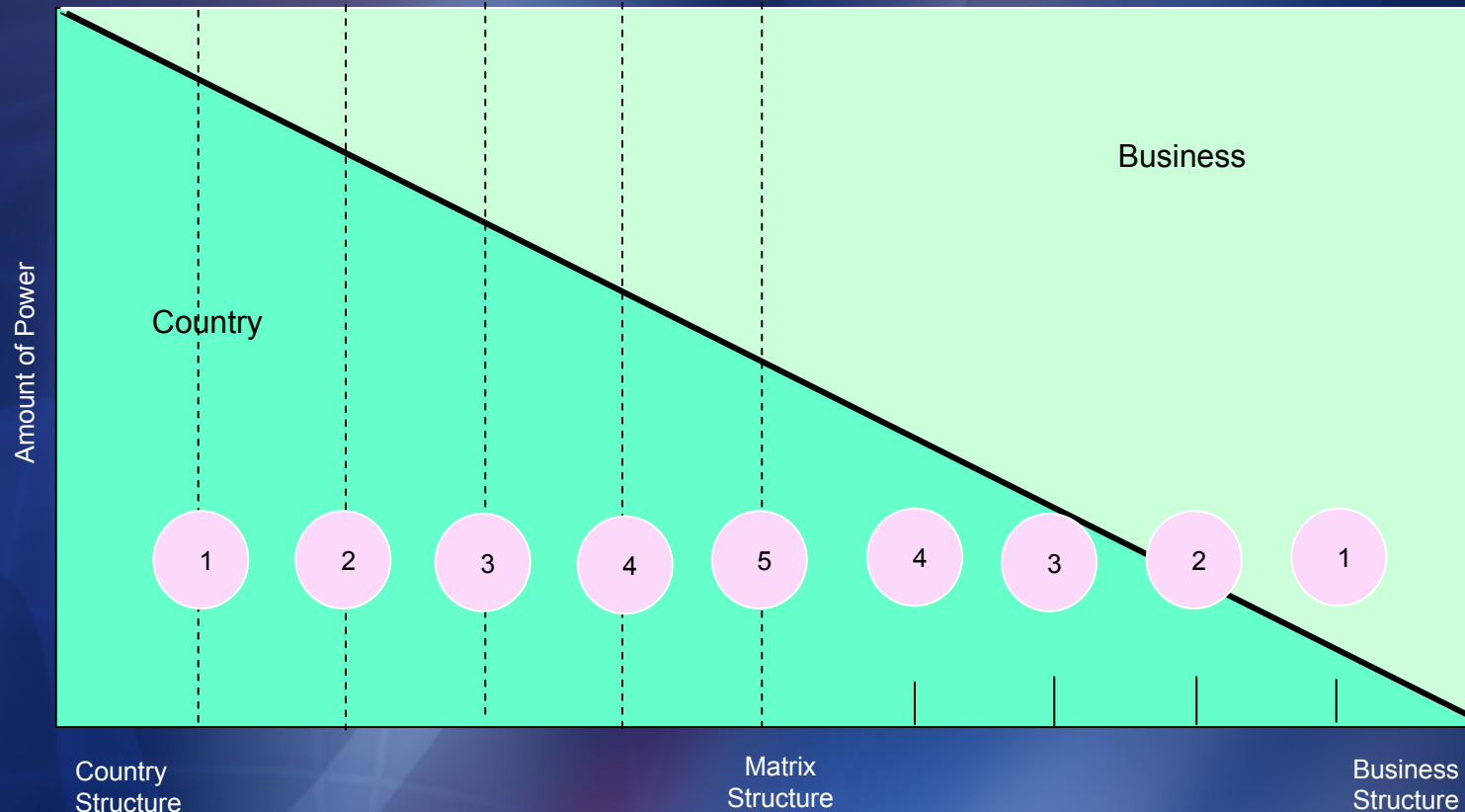
Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

# The Matrix Structure of Asea Brown Boveri



Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

# Distribution of Power Between Axes

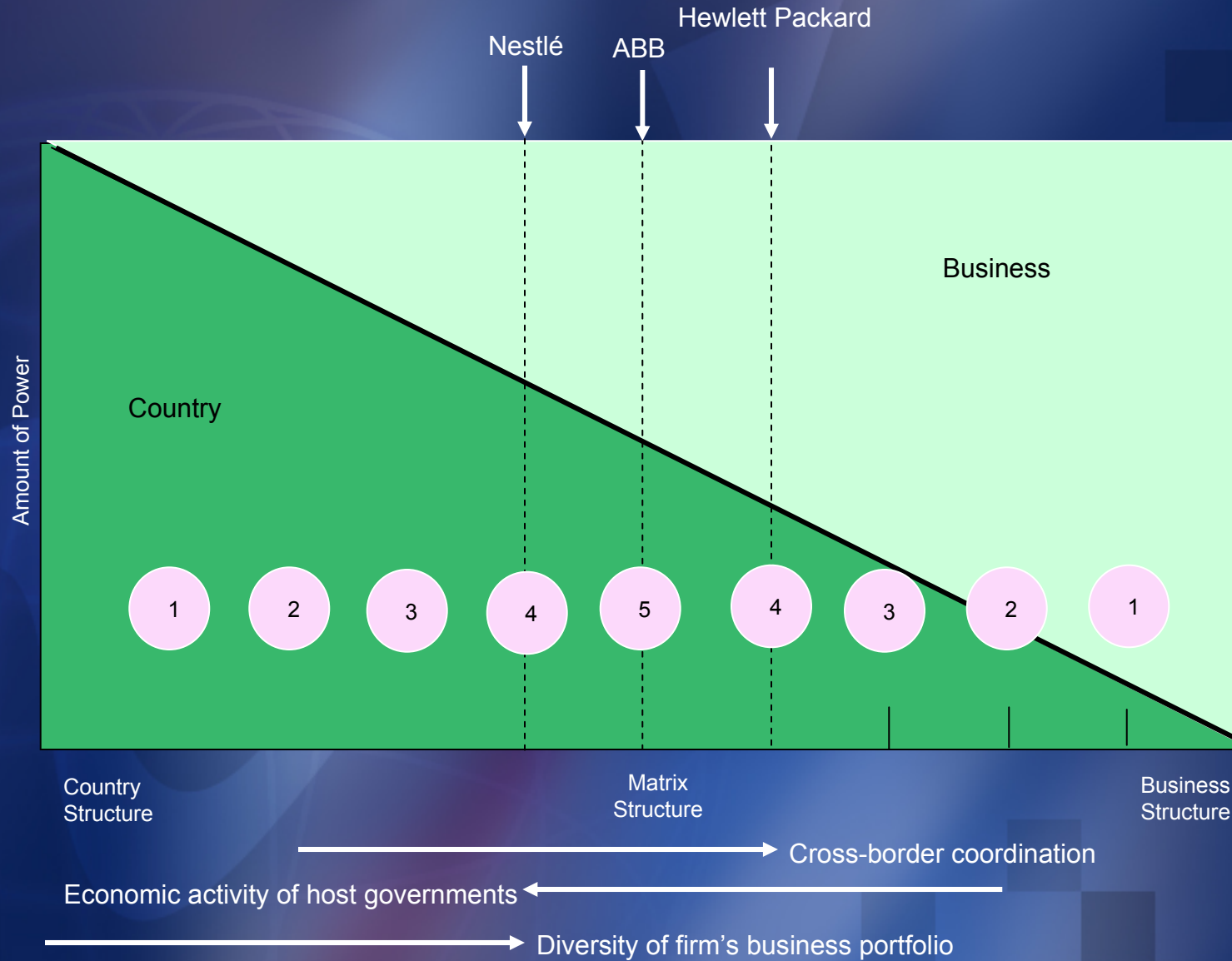


1. Voluntary organization (self-organizing network)
2. Virtual teams
3. Formal teams
4. Business or country manager as full-time team leader
5. Matrix organization

Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.



# Coordination among the Power Between Axes



Source: Mohrman, et al. *Tomorrow's Organization*. Jossey-Bass, 1998.

## 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)**

## The Realities of a Truly Global Corporation (cont'd.)

### 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.

# ABB's Paradoxes

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

<b>Managing the tension between short-term performance and long-term ambition</b>	<b>RENEWAL PROCESS</b> Creating and maintaining organizational trust	Shaping and embedding corporate purpose
<b>Managing operational interdependencies and personal networks</b>	<b>INTEGRATION PROCESS</b> Linking skills, knowledge and resources	Developing and nurturing organizational values
<b>Creating and pursuing opportunities</b>	<b>ENTREPRENEURIAL PROCESS</b> Reviewing developing and supporting initiatives	Establishing strategic mission and performance standards

Front-line  
Management

Middle  
Management

Top  
Management