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Notes

I had trouble applying this book in a practical sense in that, while the Star model is an interesting model to think about how to structure an organization, most organization change I have worked through has started with a specific business issue that needed to be addressed. For example, we had a new business focus, or an new implementation approach, or a new management approach we were trying out.

The book starts by clarifying organizational types and decisions approaches. "In summary, there are different types of hierarchical structures that companies adopt. Typically a company starts with a functional structure. Then as it diversifies, it moves into product lines and business units. If the company is a service business, it will move into customer segment profit centers. Or it may move into geographic profit centers or individual channels if it's a retailer. In each case, the company moves to a multiprofit center structure, and each of the profit centers is itself a functional organization. We also see different hybrids, where one of the functions of an organization requires significant scale or specialization or heavy investment. And finally, there are matrix structures or simultaneous structures." "The distribution of power across the hierarchy has two dimensions to it: vertical and horizontal. The vertical dimension is the one with which we're the more familiar. The design issues are questions of centralization and decentralization. Horizontal distributions of power receive less attention but are nonetheless equally important. The trend today is toward much wider spans and flatter structures (fewer levels). As we move away from command-and-control styles of leadership, managers can lead larger numbers of people. Thus, the hierarchy becomes flatter because fewer people are needed to supervise others. The flatter hierarchies lead to faster decisions, leaders who are in touch with organizational members, and lower overhead costs."

Another characteristics of an organizational design is reward systems. "compensation systems vary from those that give a fixed salary, a fixed salary with a merit increase, and a fixed salary with merit increase and a bonus (usually for top executives). These practices are used to motivate the kind of strategic behavior that is desired. The design of the bonus system is key. It varies considerably on the kinds of behaviors it motivates, the timing of long or short, whether the performance measures are objective or subjective, and whether single or multiple goals are used. Collectively these make up the design of the

compensation system.” To me, this is a very traditional view of reward system. And I ask “why is it that the top people have to have the biggest bonus” when they are often compensated based on the success of the company anyway.

The discussion then moves on to the Star model itself. “I’ve described the Star Model, the basis for thinking about organizations and organization design. I briefly described the strategy, the structure, information and decision processes, reward systems, and people practices that make up the design choices that a designer has. For each of these factors, I identified the tools to use in designing the structures and the information and decision processes and so forth. In the area of structure, we looked at the hierarchy of authority, the type of hierarchy, and the distribution of power. On the process dimension, we identified the informal processes, formal business processes, and management processes that an organization designer has available. Reward systems, another lever, consist of compensation, promotion, recognition, and job challenge. Under the people dimension are recruiting, selection, development, and so forth. These are all of the tools that leaders can use in designing their organization.”

One idea that I found very useful (although I suspect I am biased) is “when a company extends its product differentiation strategy to include chips, sensors, and software in its products, it finds itself in the software business too. Part of the organization now has to move at the pace of the software industry. This pace approaches real-time and requires that cross-functional teams operate under the newsroom model.”

[Book](#), [Learning](#), [Organization](#), [Review](#)

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