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"Designing Organizations: Strategy, Structure, and Process at the Business Unit and Enterprise Levels" by Jay R. Galbraith

Reference

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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 read 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."

Throughout the book, there are a series of case studies to show various ideas and approaches. Problem I have with this approach in this case was that the examples almost seemed to be self-serving rather than tools / approaches to use. In other words, you could see how the ideas worked there because of your knowledge of the company but would not necessarily apply the approach in another organization.

In the end I think I was looking more for an "organizational patterns" book and while this book start out with classification, I didn't see the evolution of tools. Perhaps it is too early for this.

While I found the book not to be very useful as an overall approach, I did find there were a large number of good ideas. For example:

- "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."
- "All the data must be available to all the parties. In complex organizations, transparency is your friend."
- "Because of this conservatism, compensation systems are the greatest barriers to change and flexibility. At a time when pay plans need to be approximate, flexible, simple, and valid, they are instead precise, complex, quantitative, nonaligned, out of date, and rigid."
- "When competitive advantages do not last long, neither do the organizations that execute them."
- "Attain Real-Time Decision Making: The second organizational challenge is to increase the speed of decision making, often referred to as increasing the clock speed of the organization. A computer has a clock, which synchronizes the speed of the input unit, output unit, arithmetic unit, and memory unit. Historically computer designers have been increasing the clock speed at which the computer operates. Similarly, organizational designers need to increase their organization's clock speed. All of the units participating in advertising, customer management, new product development, and supply chain management have to synchronize around increasing clock speeds. The ultimate target is real time."

Book, Learning, Organization, Review

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