

# ORGANIZATION DESIGN

AREA: OPERATIONS

COURSE Nr: 52

SESSIONS: 12

PROFESSOR: MIKKO KETOKIVI

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**Professor of Operations Management**

*“Today, it is hard to find a company that does not claim to be global; it is equally hard to find a company that has mastered the ability to organize and do business globally.”*

- Jay Galbraith, in his book *Designing the Global Corporation*

Mikko Ketokivi is a Professor of Operations Management at IE Business School, and an independent researcher and consultant. He received a Ph.D. in business administration from the University of Minnesota, and a B.Sc. and an M.Sc. from Iowa State University.

Dr. Ketokivi's research focuses on organization design, operations management, strategic decision-making, and research methodology. In his organization design research, he has examined organizational differentiation and integration and their effects on performance. In operations management, his research focus has primarily been on the link between strategy and operations as well as the determinants and measurement of organizational performance. Dr. Ketokivi's research on methodology, in turn, has focused on scientific reasoning, scientific rhetoric, and the application of psychometric measurement, multivariate statistical methods, and the hypothetico-deductive research design in organizational research.

Dr. Ketokivi's teaching focuses on the same topics as his research, with an emphasis on the Master's and Ph.D. levels. He has taught organization design both at the MBA and Ph.D. levels, and statistical research methods, research design, and organization theory at the Ph.D. level. In addition to IE Business school, he has taught at HEC School of Management (Paris), HEC Lausanne, Helsinki University of Technology, University of Helsinki, and University of Minnesota.

Dr. Ketokivi's research has been published in journals such as the *Administrative Science Quarterly*, *Academy of Management Review*, *Strategic Management Journal*, and *Journal of Operations Management*. “Academic publications are obviously an essential part of professional legitimacy. We must never, however, shy away from leaving the safe havens of academic discourse and convenient assumptions to tackle real problems faced by real organizations. Toward this end, we must be willing to abandon our paradigms and embrace the complexity, the dilemma, and the ambiguity that is organizational life,” he says.

## **Academic Background**

Ph.D. in Business Administration, University of Minnesota, USA

M.Sc. in Business Administrative Sciences, Iowa State University, USA

## **Academic Experience**

Professor of Operations Management, IE Business School (2010 – present)

Visiting Professor, HEC Lausanne (2009 – 2010)

Visiting Associate Professor, IE Business School (2007 – 2009)

Affiliate Professor, HEC School of Management, Paris (2006 – 2007)

Associate Research Fellow, The Research Institute of the Finnish Economy (2006 – present)

Senior Lecturer, Helsinki University of Technology (2006 – 2010)

### Corporate (and other professional) Experience

Through his private consultancy, Dr. Ketokivi works in close collaboration with both public and private research organizations (e.g., *The National Institute for Health and Welfare* and *The Research Institute of the Finnish Economy* in Finland) as well as private enterprises, providing his clients and partners research services and consulting on the analysis of complex statistical data in particular. He also actively consults and provides management training on organization design and strategic operations management in various industries.

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## ACHIEVING THE COURSE OBJECTIVES

In order to make the course as useful as possible, students are invited to:

- a) prepare for each class session by completing the required readings
- b) actively engage in class discussion, present your own interpretations of the readings, and share your own experiences and insights with the rest of the class

## PROGRAM

### SESSIONS 1&2 (September 27, 12:00 – 14:50, E-107)

What is organization design?

- Course introduction, housekeeping issues, discussion of grading policy, etc.
- What does the concept of organization design (OD) entail?
- Who is in charge of designing the organization?
- Are there “best practices” on how to design organizations?
- What are the various challenges associated with OD? Here, we will discuss the nine tests of well-designed organizations covered in the Goold&Campbell article

Reading: *Do you have a well-designed organization?* (Goold&Campbell, Harvard Business Review R0203K).

### SESSIONS 3&4 (September 30, 12:00 – 14:50, E-107)

Organizational differentiation and integration – the fundamental building blocks of OD

- What is organizational differentiation and why is it important?
- What is integration? How is it related to differentiation? What are the different aspects of integration?
- The word “integration” sounds very appealing, but do all organizations have to be integrated? How expensive is integration?
- What are *emotional* and *social* integration in organizations and how are they related to concepts such as corporate social responsibility, stakeholder issues and employee well-being?

Reading: *Integrating the enterprise* (Ghoshal and Gratton, MIT Sloan Management Review).

### SESSION 5 (October 1, 13:30 – 14:50, E-107)

The relationship between corporate-level strategy and organization design

- How are multi-business corporations structured and why? Is there “one best way” to do it?
- How is the profit&loss (P&L) structure of the corporation structured and why? Who is in charge of what, and who gets rewarded for what?

Reading: *Designing Effective Organizations*, chapter 6, pp. 187-221 (book by Goold and Campbell)

### SESSION 6 (October 4, 13:30 – 14:50, E-107)

Organization design and corporate governance

- What is the division of tasks between the board of directors and the top management team? In what sense does the board have to be *independent* of the management team?
- How is board composition related to management of stakeholder relationships? What could “democratic governance” mean in the context of corporate management?

Reading: *Back to the Drawing Board, Chapter 5* (book by Carter and Lorsch)

SESSION 7 (October 5, 12:00 – 13:20, E-107)

Customer-focused organization

- Obviously, all organizations need to take care of their customers. But some organizations may even go so far as to design their entire organizational structure to focus on the customer. In this session, we ask: When are *customer-focused organization designs* better than the alternative *product-focused designs*, and vice versa?

Reading: *Organizing to deliver solutions* (Galbraith, *Organizational Dynamics*)

SESSION 8 (October 8, 12:00 – 13:20, E-107)

The dynamics of OD

- How do organizations cope with the constant change of strategy, markets, operations, etc.?
- Can organization designs and structures change, or do new ways of running the business have to be adapted to existing organization structures?

Reading: *Designing organizations that are built to change* (Worley and Lawler, *MIT Sloan Management Review*)

SESSIONS 9&10 (October 13, 12:00 – 14:50, E-107)

Case General Motors

- What are the links between strategy and organization design/organization structure at General Motors?
- How have the challenges of managing GM developed throughout the 20<sup>th</sup> century?

Reading: *Executive Decision Making at General Motors* (Harvard Business School, Case number 9-305-026)

SESSION 11 (October 14, 12:00 – 13:20, E-107)

Course summary

SESSION 12 (October 15, 12:00 – 13:20, E-107)

Final Exam

## READINGS, REQUIRED

1. Carter, C. B., & Lorsch, J. W. 2004. ***Back to the Drawing Board***. Boston, MA: Harvard Business School Press. Chapter 5.
2. Galbraith, J. R. 2002. Organizing to deliver solutions. ***Organizational Dynamics***, 31(2): 194-207.
3. Garvin, David A., & Levesque, Lynne C. 2006. ***Executive Decision Making at General Motors***, Harvard Business School Case #9-305-026.
4. Ghoshal, S., & Gratton, L. 2002. Integrating the enterprise. ***MIT Sloan Management Review***, 44(1): 31-38.
5. Goold, M., & Campbell, A. 2002. Do you have a well-designed organization? ***Harvard Business Review***, 80(2): 117-124.
6. Goold, M., & Campbell, A. 2002. ***Designing Effective Organizations: How to Create Structured Networks***. San Francisco: Jossey-Bass. Chapter 6.
7. Worley, C. G., & Lawler, E. E., III. 2006. Designing organizations that are built to change. ***MIT Sloan Management Review***, 48(1): 19-23.

## RECOMMENDED FURTHER READINGS ON THE TOPIC

1. Ashkenas, R., Ulrich, D., Jick, T., & Kerr, S. 1995. ***The Boundaryless Organization: Breaking the Chains of Organizational Structure***. San Francisco: Jossey-Bass.
2. Galbraith, J. R., Downey, D., & Kates, A. 2002. ***Designing Dynamic Organizations***. New York: American Management Association.
3. Leavitt, H. J. 2005. ***Top Down: Why Hierarchies Are Here to Stay and How to Manage Them Effectively***. Boston: Harvard Business School Press.
4. Nadler, D. A., & Tushman, M. L. 1997. ***Competing by Design***. New York: Oxford University Press.
5. Simons, R. 2005. ***Levers of Organization Design***. Boston: Harvard Business School Press.

## PERFORMANCE EVALUATION CRITERIA

Class attendance, participation, and the final examination are all weighed equally.