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# ORGANIZATION DESIGN

AREA: OPERATIONS

COURSE Nr 60

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 the 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 Master's and Ph.D. levels. He has taught organization design both at the MBA and Ph.D./DBA 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 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 decision-making in various industries.

## OBJECTIVES

The aim of an effective organization design extends well beyond organizational charts. The overarching goal of organization design is to establish the credibility of the organization in the eyes of its most important stakeholders. Toward this end, topics such as governance (e.g., board composition), customer and supplier relationship management, profit & loss structure as well as compensation systems, and the like, are paramount.

But even more generally, organization design reflects some of the most the fundamental aspects of all economic activity, not just within firms but the society as a whole as well. To be sure, the concept of *division of labor*, for instance, is just as relevant – has been for several hundred years – to the sociologist and the political economist as it is to someone interested in managing an organization. Many of the topics discussed in this class therefore resonate with broader economic, societal, and cultural realities. All economic activities are in a peculiar way also social and cultural activities.

The main goal of this seminar is to develop a profound understanding of the fundamentals: what are the organization design challenges that contemporary business organizations face? We explore this question both by looking at the central concepts and principles as well as their application in authentic settings. Designing an organization is a complex and a politically explosive undertaking; the aim of this seminar is to learn to appreciate and understand the challenge, as well as seek tools by which it can be tackled. Both the *Appex Corporation* and the *General Motors* cases will demonstrate that the magnitude of the organization design challenge cannot be overstated.

## ACHIEVING THE OBJECTIVES

The success of the seminar importantly hinges on active student participation in class discussions. 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 their own interpretations of the readings, and share their own experiences and insights with the rest of the class

The strength of this seminar in past years has been the fact that participants are very diverse in their professional and cultural backgrounds. With this topic in particular, such diversity has been and continues to be a source of much insight and joint learning.

## PROGRAM

SESSIONS 1&2 (time and place to be announced)

What is organization design (OD)?

- Course introduction, housekeeping issues, discussion of grading policy, etc.
- What does the concept OD entail?
- What is the idea of “establishing credibility through OD” about?
- Who is in charge of designing the organization?
- 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 (time and place to be announced)

Organizational differentiation and integration – the fundamental building blocks

- What are the different ways of differentiating the organization? What are the strengths and weaknesses of each alternative? The Appex case addresses these questions.

- ❑ What is integration? How is it related to differentiation? What are the different aspects of integration? In what sense, if any, are emotional and social integration relevant to organizations? The Ghoshal & Gratton article addresses these questions.

Reading: (1) Appex Corporation (Harvard Business School, Case number 9-491-082)  
(2) Integrating the enterprise (Ghoshal and Gratton, MIT Sloan Management Review)

#### SESSION 5 (time and place to be announced)

The relationship between corporate-level strategy and organization design

- ❑ What are the alternative ways of structuring a multi-business corporations?
- ❑ How is the profit&loss (P&L) structure of the corporation structured and why?

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

#### SESSION 6 (time and place to be announced)

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 (time and place to be announced)

Customer-focused organization

- ❑ Obviously, all organizations need to pay attention to 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 (time and place to be announced)

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 (time and place to be announced)

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 20th century?

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

#### SESSION 11 (time and place to be announced)

Course summary & selected additional topics

#### SESSION 12 (time and place to be announced)

Final Exam

## BIBLIOGRAPHY

- ❑ Carter, C. B., & Lorsch, J. W. 2004. *Back to the Drawing Board*. Boston, MA: Harvard Business School Press. Chapter 5.
- ❑ Galbraith, J. R. 2002. Organizing to deliver solutions. *Organizational Dynamics*, 31(2): 194-207.
- ❑ Garvin, David A., & Levesque, Lynne C. 2006. *Executive Decision Making at General Motors*, Harvard Business School Case #9-305-026.
- ❑ Ghoshal, S., & Gratton, L. 2002. Integrating the enterprise. *MIT Sloan Management Review*, 44(1): 31-38.
- ❑ Gladstone, Julia A., & Nohria, Nitin 1992. *Appex Corporation*, Harvard Business School Case #9-491-082
- ❑ Goold, M., & Campbell, A. 2002. Do you have a well-designed organization? *Harvard Business Review*, 80(2): 117-124.
- ❑ Goold, M., & Campbell, A. 2002. *Designing Effective Organizations: How to Create Structured Networks*. San Francisco: Jossey-Bass. Chapter 6.
- ❑ Worley, C. G., & Lawler, E. E., III. 2006. Designing organizations that are built to change. *MIT Sloan Management Review*, 48(1): 19-23.

## EVALUATION CRITERIA

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