An Ethical Choice
I Fell into a Big Black Hole

When Dieter Weidenbrueck sold his business to a much larger company, Parametric Technology, he had trouble adapting to Parametric's organization structure.

It's a familiar situation—not only to entrepreneurs, like Weidenbrueck, but also to employees who once worked for small companies in which structures were loose, latitude was high, the culture informal and close knit. When moving to a company with a larger, more formal structure, employees, like Weidenbrueck, can find the new structure maddeningly bureaucratic. "I fell into a big black hole," said Weidenbrueck.

When Weidenbrueck became frustrated, he turned to Jim Heppelmann, an entrepreneur who had sold his company to Parametric a decade earlier. Heppelmann empathized with Weidenbrueck's frustrations, telling him he too ran into "a fair amount of frustration and complexity." However, Heppelmann also noted that, over time, he saw many opportunities in the size and formality of the new organization's structure.

Here are some suggestions for coping with an organization structure that is not to your liking:

1. Employees often have more control over how their work is structured than they think. If you trust your boss, engage him or her in an honest, open conversation, and suggest some alternative arrangements you think make sense for both you and the organization. Avoid whining, be positive and constructive, and be prepared in case your boss shoots down your ideas. Sometimes things are as they are for reasons you didn't know or understand.
2. Resist tilting at windmills. Try to proactively and positively change what you can, but avoid attacking a structure you likely cannot change or railing against changes that were made above your pay grade.
3. In the end, if you cannot adapt, then leave, but only after you have quietly explored alternatives. The bureaucratic grass is not always greener on the other side.

Sources: Based on E. White, "Growing Pains: Adapting After a Merger," Wall Street Journal (February 26, 2008), p. B6; J. Pourdehnad, "Cutting Through the Red Tape," Business Week Video Library, feedroom.businessweek.com/?fr_story_ 452e19eb5bbf830baffee6945c3ba01b12fb 4199; and S. Yang, "Bureaucracy versus High Performance: Work Reorganization in the 1990s," Journal of Socio-Economics 37, no. 5 (2008), pp. 1825–1845.

Class Exercise

1. The Malcolm Baldrige Quality Criteria administered by the National Institute for Standards and Technology, Department of Commerce, is an internationally recognized definition of quality assessment in the U.S.
2. Ask students to go to the education standards http://www.baldrige.nist.gov/PDF_files/2009_2010_Education_Criteria.pdf and to review the Standard 1–Leadeship criteria.
3. Then divide the class into groups of five to seven and ask each group to assess your university or college on the criteria.

4. Have each group prepare an evaluation and a presentation to the class.
5. Open discussion to the class of how the university or college can introduce changes to modify the leadership (surrogate for structure style) to better represent the criteria.
6. Students are likely to evaluate the university as a bureaucratic organization in spite of policies and statements to the opposite.
7. Students will likely see decentralization of decision making and reduction of bureaucratic policies and rules as ways to improve the organizational culture.

International OB
Structuring Organizations across National Borders

Because business, economic, and political conditions facing organizations are constantly shifting, organizations that don't adapt die. Multinational organizations in particular may find their business developing abroad in a way that their current structure doesn't fit.

This situation faced Graham Kill when he decided his company, Irdeto— which develops and markets content protection software for video and pay TV—could no longer be solely based in its Amsterdam headquarters. Irdeto's sales had been growing fastest in Asia for years and had come to represent 39 percent of Irdeto's $170 million in annual sales. Kill expected that number to be more than 50 percent within five years, so he declared Beijing his company's second headquarters and promptly moved his family there.

Why did Kill make such a radical move? Most of his reasons relate to the need to connect to employees and customers in markets where the business is happening. European software giant SAP restructured itself, decentralizing operations away from its Walldorf, Germany, headquarters and pushing them out to seven locations around the world, including the United States and India. U.S.-based Tyson Foods also decentralized its structure, giving more autonomy to managers overseeing operations in important developing markets like China.

Such decentralizing efforts are not without their challenges, such as communication. Irdeto found it needed to make a major investment in videoconferencing, and it changed its career management systems so most executives rotate between the Amsterdam and Beijing headquarters. Kill found the OB needs of employees in each location were quite different. Amsterdam employees needed reassurance their jobs were safe, along with training in how and when to use videoconferencing to keep in touch with Beijing employees (7 hours ahead of Amsterdam). Kill started a training program for Beijing employees during which they learned to make and implement decisions more autonomously than is their custom. Patricia van der Velden, Irdeto's VP of Human Resources, said most employees have embraced Irdeto's dual structure. "We have noticed that employees are motivated by the global career opportunities provided by Irdeto."

Sources: Based on P. Dvorak, "How Irdeto Split Headquarters," Wall Street Journal (January 7, 2008), p. B3; L. Cheong, "Q&A: Patricia van der Velden/Irdeto," Human Resources Online (September 1, 2008), www.humanresourcesonline.net; and C. Hymowitz, "Executives in China Need Both Autonomy and Fast Access to Boss," Wall Street Journal (May 10, 2005), p. B1.

Class Exercise

1. Divide the class into groups of three to five.
2. Have each group review the online resource http://74.125.47.132/search?q=cache:_E0UAS88Wd0J:macy.ba.ttu.edu/Fall%252006/5371/overview%2520of%2520eight%2520types%2520of%2520structur

e%2520for%2520110106.ppt+global+organizational+structures&cd=16&hl=en&
ct=clnk&gl=us&client=safari

3. Each group should evaluate the criteria defining the appropriate global
    organizational structure.
4. Have students determine the most significant criteria to guide strategy
    development for global expansion.

Myth or Science?
People Are Our Most Important Asset

Though it's said so often it may generate a cynical reaction, there is evidence that for most companies, people are their most important asset. The knowledge-based view of the firm proposes that companies can create value only when they have the information and know-how to put their intellectual assets to use effectively.

When we separate the U.S. economy into hard or tangible sectors (manufacturing, real estate) and soft or intangible sectors (medical care, communications, education), soft industries provide 79 percent of all jobs and 76 percent of GDP, suggesting so-called knowledge workers are increasingly important to the economy. Yet many organizational structures tend to be based on physical rather than intellectual resources.

U.S. auto manufacturers focus their structure on physical assets—product lines or component systems—and outsource some parts making or assembly. Japanese auto manufacturers such as Toyota or Honda, conversely, focus on developing the intellectual products in house (design and engineering) and outsource some or most manufacturing and assembly to the countries where they sell their products. It has been argued that these structural differences account for the intangible design and engineering advantages Japanese automakers enjoy. The authors of a recent study note, "While managing professional intellect is clearly the key to value creation and profitability for most companies, few have arrived at systematic structures for developing, focusing, leveraging, and measuring their intellectual capabilities." Database management software may help link employee needs for information with the best internal sources to help develop intellectual resources, but organizations have struggled to make the best use of these tools.

So, even if most organizations argue people are their most important asset, they aren't structured to make maximum use of it.

Class Exercise

1. Collect (for the class) the organizational chart/structure diagram of a small college and a large university. [Or use your university and then the structure of a college within the university.]
2. Diagram each on the board, or create a handout that has them both on it, preferably on the same side.
3. Discuss how each of the above four elements apply to each educational institution.
4. Why would an academic institution, with a mission of learning and pressing "the envelope," adopt a bureaucratic structure?
5. Is the small college as bureaucratic as the university? If so, why is it?

Point/CounterPoint
Mergers Are an Excellent Way to Get Rid of Employees

Point

Firms often undertake mergers to eliminate the competition (by acquiring it) or to harvest another organization's assets. While we might argue over the social costs and benefits of these motives, an even darker agenda lies implicit in most mergers: to reduce headcount, a nice way of saying "fire employees."

When mergers or acquisitions take place, almost without exception employees lose their jobs. And those who aren't fired often find their jobs redefined, their responsibilities expanded, and their career prospects thwarted.

Ask Scot Theuer, age 52, a pilot with US Airways for 22 years. "My career advancement has been delayed because of mergers," he says. He's not alone. When Pfizer announced its intention to acquire fellow pharmaceutical company Wyeth, it said it would eliminate 20,000 jobs from the combined company within 3 years. The reality is often far worse than companies acknowledge when mergers are up for regulatory approval. When telecommunications giant Alltel announced it was acquiring a local Nebraska phone company, it claimed there would be few cuts. Of 900 employees before the takeover, 200 are left.

Even US Airways CEO Doug Parker, after experiencing the pain and conflict of merging his firm with America West Airlines, concedes, "Just putting two airlines together doesn't automatically create value."

CounterPoint

The business environment is dynamic: change is the only constant. Markets emerge and die, competitors arise, and unexpected opportunities and threats present themselves. Mergers and acquisitions are one way for businesses to adapt to change and remain both nimble and competitive. That's why nearly all major U.S. companies that were around in the 1970s have merged with other companies—in the United States and abroad.

It's true some job cuts often follow mergers and acquisitions. However, these cuts are often an attempt to restore competitiveness. Competition is fierce, companies are in a constant struggle for survival, and failing to exploit opportunities often proves fatal. A company that fails to merge with other companies faces extinction, which means the loss of all its jobs. Downsizing is surely better for employees overall than extinction.

Many successful, if underreported, mergers have benefited employees. When German pharmaceutical Merck KGaA acquired Swiss Serono, many employee groups worried about job losses, reduced pay, and stunted career prospects. The new company— Merck Serono International—committed itself to addressing these concerns. In the words of VP Geoffrey Matthews, the company sought "to take advantage of ways the companies were complimentary, rather than focus on cost reduction." Managers

brought employees into decision making about restructuring the company and made sure both companies had equal representation. A Citigroup research analyst said of the merger, "The value of the company improved considerably, and since then it's been throwing off more synergies."

 So, to criticize mergers as inherently bad for a few employees is like claiming poor execution makes poor practice.

Class Exercise

Assign this as an out-of-class activity or go to the computing lab on campus and research as a class. This activity can be done using recent news and magazine articles in the library or on the WWW.

1. Ask the students to research three companies whose products and services are technologically oriented and who have three different structures. For example: Excite, Microsoft, IBM.
2. What is the industry saying about these organizations in terms of their degree of success, recent turmoil, new products, competitive forces, mergers and spin-offs, etc.? In which of these events or factors might the companies' organizational structure have played a role? Did it help or hinder the process? Can you ascertain what the organizational structure is from reading about the company?
3. Ask the students to make presentations on what they found. Once completed, ask them if there are similarities or patterns found based on organizational structure (or other factors). The point is to have students begin to look for patterns—particularly best practices—rather than to see each organization's decisions and outcomes as completely unique to that organization.