

Week 7 & 8

The Organization of International Business

EDUCATION BEYOND BORDERS

Organizational Architecture

- The architecture of an organization provides the framework through which an organization aims to realize its core qualities as specified in its vision statement.
- It provides the infrastructure into which business processes are deployed and ensures that the organization's core qualities are realized across the business processes deployed within the organization.
- In this way organizations aim to consistently realize their core qualities across the services they offer to their clients.

Organizational Architecture

- According to most authors organizational architecture is a metaphor, like traditional architecture it shapes the organizational (some authors would say the informational) space where life will take place.
- It also represents a concept which implies a connection between the organizational structure with other systems inside the organization in order to create a unique synergistic system which will be more than just the sum of its parts.

Organizational Architecture

- Conventionally organizational architecture consists of the formal organization (organizational structure), informal organization (organizational culture), business processes, strategy and the most important human resources because what is an organization if not a system of people.

Organizational Architecture

- The goal of organizational architecture is to create an organization which will be able to continuously create value for present and future customers, optimizing and organizing itself.
- Some under organizational architecture understand building blocks which are mandatory for the growth of the organization. To design an organization means to set up a stage where the drama of life will take place.

Organization Structures (OS)

- The type of OS that is important for an organization will depend upon many issues.
- For example, small and medium sized businesses will have smaller and less complicated OS than very large companies such as Unilever or Procter and Gamble.
- The number of different country markets and the current size of the company market share in different markets will influence the need for the number and type of people to be employed internationally.

OS

- Organizational structure can be viewed from many perspectives, but I find viewing it from a decision making perspective most useful. Structure exists to perform two essential functions within the organization:
 - Control- Insuring that decision makers at all levels use the managerial or hierarchical constraint as one of the criteria in making their decisions, and
 - Coordination- Insuring that decision makers at all levels use lateral or peer constraints as criteria in their decision making.

OS

- There are various control and coordination mechanisms used to perform these functions. As control and coordination problems arise, organizations generally respond by developing or modifying a control or coordination mechanism.
- The organization's structure at any point in time is the sum total of the mechanisms it has developed and modified to achieve control and coordination.
 - Control Example - A program director of a radio station in an attempt to increase rating establishes to fix program format and requires all DJ's to follow it. (For additional information on Control see: Commitment & Control Strategies)
 - Coordination Example - A new product in a bank is slow in developing, so the CEO assigns a product manager, who reports directly to her, and works with all the departments involved in the new product.

Organizational Control

A. A control system requires two elements:

1. A base of power
2. A control mechanism- The following are the four generic types of control mechanisms employed by organizations. All control mechanisms fall into one of these four generic types:
 - **Centralization**- Managers achieve control over decision making by either making all decision themselves or requiring the decision maker to have all decision approved before implementation.
 - **Formalization**- Development of rules, procedures, guidelines, and policies that act to guide the decision making process (mechanism in example above)
 - **Output Control**- Establishing goals or objectives that act as a criterion in the decision making process.
 - **Cloning**- Establishing a set of shared values and expectations that act to guide the decision making process. With this control mechanism, a strong base of power is not necessary. This is the basis of organizational culture. Many argue that organizational culture and organizational structure are functional alternatives, that is, they both function to achieve control. When culture is strong, strong structures are not necessary.

Organizational Control

B. We discussed some of the situations which lead to the use of formalization, or process control and, by contrast, situations that lend themselves to output control.

1. Process Control

- Stable environment, where one best way exists and is known.
- Situations where we cannot afford an unfavourable outcome.
- Decision makers lack expertise or information necessary.
- Situations where consistency among decision makers is important
- Situations where a defining clear, measurable objective is difficult

2. Output Control

- A clear, measurable objective exists
- There are multiple effective means of achieving the objective.
- The proper process depends on factors that must be determined at time of the decision.
- Decision makers have expertise and access to information necessary.
- The decision makers have access to knowledge of results which provide feedback necessary to modify future processes and decisions.

Coordination

- The major question addressed during this class was, "How do organizations composed of differentiated departments achieve a high degree of coordination or integration."
- We started by defining the two fundamental ways in which differentiation, or departmentation takes place. Additionally, we discussed the major benefits of each type of structure and which type of customer based performance pressure each responds to best.

Coordination

1. Functional- Major activities are broken up and organized by management function (e.g., Marketing, Engineering, Production)
 - Responds best to PRICE and QUALITY performance pressures
 - Economies of scale realized by centralizing functional activity
 - Greater degree of specialization and reinforcement of expertise by grouping people with other functional experts
2. Divisional, by either Product, Geography, Client/Customer, or Project
 - Responds best to TIME and SERVICE performance pressures
 - Greater degree of coordination achieved by grouping all those working on a single product, project, etc., together. Coordination also achieved through single common goal.
 - Greater service result of pinpointing of responsibility, and expertise related to single customer needs.

Coordination

- Functional and Divisional structures represent two pure structural types found at opposite ends of the structural continuum.
- A given environment places demands or performance pressure on an organization, which it responds to by altering its structure, thus moving it along this continuum.
- Performance pressures of Quality and Cost push the structure towards the Functional end of the continuum, while pressures for Time and Service push the structure towards of Divisional end of the continuum.

Coordination

- The need for coordination increases directly with the amount of reciprocal interdependence among units. Where interdependence is pooled few resources and relatively little effort need be directed toward coordination.
- Sequential interdependence requires more efforts toward coordination, while reciprocal interdependence requires constant adjustments with concomitant requirements for communication and resolution of conflicts.
- Thus more resources are necessary to facilitate communication and resolve conflicts in an integrative (win-win) manner.
 - Reciprocal interdependence between functional units is greatest during the development and product introduction stages of a product's life cycle.
 - Therefore, organizations with multiple products, with short life cycles have greater requirements for cross functional integration.

Cross Functional Integration Mechanisms

- These are arranged in order of increased cost, but increased effectiveness as well.
- Thus the Hierarchy requires the least amount of additional resources, but becomes the weakest mechanism when increased complexity (amount of reciprocal interdependence) exists.

Hierarchy

- Cross functional communication is achieved through a mutual superior.
- Conflict among functional units is resolved through mutual supervisor.
 - Creates time delays
 - Where multiple products exist, the general manager must focus on operational issues of all products

Direct Contact

- When the chain of command gets overburdened individual begins communicating directly with counterpart in other functional departments.
- This has a tendency to speed up decision processes.
 - Communications with and involvement of the appropriate functional units is left to the discretion and initiative of individuals.
 - When conflict occurs between these individuals, their relative power tends to determine the outcome. An integrative (win-win) decision is not encouraged. Leads to a trade-off of performance pressures, rather than development of an innovative way to meet multiple performance pressures.

Liaison Role

- A Facilitator, expediter, project manager, etc. is appointed to smooth conflicts and encourage communication among those working on a single project or product.
- No formal base of power. Must rely on building identification with the project (referent power). Also tends to get work done through reciprocity (exchange of favours).
 - Lack of formal power often puts this type of project manager at a disadvantage. When faced with competing demands from a project manager and functional manager, the employee generally attempts to satisfy the functional manager.

Task Groups

- The project manager now is assigned specific individuals from the various functional units to work with on the project.
- The team meets regularly and motivation is achieved through identification with the team. Increased communication is achieved through regular meetings.
- The conflict mediation, or facilitation skills of the team leader are an essential part of the success of this mechanism. The leader must focus on both team goals and functional member interests to be effective.
 - Team members often devote time and energy towards the project when they see that their efforts are making a measurable difference in results of the project. This is especially true when positive project results are attributed to their competencies (Internal and External Self Concept Motivation). However, this type of motivation is often compromised when the time and effort spent on the project comes at the expense of performance in the eyes of the functional manager.

Integrating Role

- The titles may be the same, (project manager, expeditor, etc.) however, this individual is given increased power through the allocation of resources.
- In all other mechanisms, resources are distributed among functional departments. In this case, resources are divided between functional managers and project managers. The project manager gains increased power through his/her ability to allocate resources.

Matrix Structure

- Here there is a theoretical balance of power between the functional manager and the project manager. They both have budgets and influence over personnel decisions.
- It is designed to force a conflict between the functional manager's desire for quality, and the project manager's push for time and service. It also takes advantage of economies of scale, necessary to hold down costs, by encouraging the fluid deployment and re-deployment of expertise to projects as needed.
- Matrix structures are difficult to manage and require different leadership styles and conflict resolution styles than traditional functional structures. They should only be used when the following three conditions exist.

Matrix Structure

- Multiple performance pressures
 - If faced with time, quality, and service, but you can pass on costs; move toward divisional and over-staff.
 - If quality and cost are important, but time is not; move toward functional
 - You get the idea.
- There are benefits from economies of scale
 - If you're big enough so that you can achieve all the expertise you need in separate divisions, and fully utilize these people; move toward divisional. Also, if you are more towards the conglomerate end of the diversification continuum (rather than the concentric end) you probably will not benefit from economies of scale except for broad based administrative services.
- High information processing needs
 - Reciprocal interdependence, that is, relatively high amount of new product development.

Business Process

- A business process or business method is a collection of interrelated tasks, which solve a particular issue.
- There are three types of business processes:
 - Management processes, the processes that govern the operation of a system. Typical management processes include "Corporate Governance" and "Strategic Management".
 - Operational processes, processes that constitute the core business and create the primary value stream. Typical operational processes are Purchasing, Manufacturing, Marketing, and Sales.
 - Supporting processes, which support the core processes. Examples include Accounting, Recruitment, IT-support.

Business Process

- A business process can be decomposed into several sub-processes, which have their own attributes, but also contribute to achieving the goal of the super-process.
- The analysis of business processes typically includes the mapping of processes and sub-processes down to activity level.

Business Process Management (BPM)

- is a field of knowledge at the intersection between management and information technology, encompassing methods, techniques and tools to design, enact, control, and analyze operational business processes involving humans, organizations, applications, documents and other sources of information.
- The term 'operational business processes' refers to repetitive business processes performed by organizations in the context of their day-to-day operations, as opposed to strategic decision-making processes which are performed by the top-level management of an organization.
- BPM differs from business process reengineering, a management approach popular in the 1990s, in that it does not aim at one-off revolutionary changes to business processes, but at their continuous evolution. In addition, BPM usually combines management methods with information technology.

BPM

- BPM covers activities performed by organizations to manage and, if necessary, to improve their business processes. While such a goal is hardly new, software tools called business process management systems (BPM systems) have made such activities faster and cheaper.
- BPM systems monitor the execution of the business processes so that managers can analyze and change processes in response to data, rather than just a hunch.

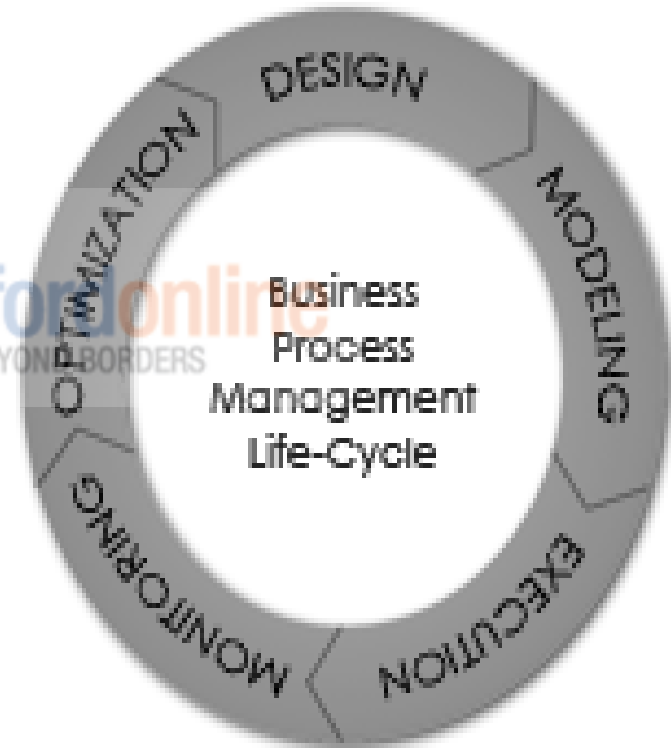
BPM

- In short, Business Process Management is a management model that allows the organizations to manage their processes as any other assets and improve and manage them over the period of time.
- In a medium to large organization scenario, a good business process management system allows business to accommodate day to day changes in business processes due to competitive, regulatory or market challenges in business processes without overly relying on IT departments.
- This strikes a fine balance between dynamic business areas that want to avoid every risk and grab every opportunity on their way through agile changes in their way to business but are very often restricted by a very stable and hard to change IT infrastructure.

BPM

Business Process Management Life-cycle

- The activities which constitute business process management can be grouped into five categories:
 1. Design,
 2. Modelling,
 3. Execution,
 4. Monitoring,
 5. Optimization.



1. Process Design

Process Design encompasses the following:

1. (optionally) The capture of existing processes and documenting their design in terms of Process Map / Flow, Actors, Alerts & Notifications, Escalations, Standard Operating Procedures, Service Level Agreements and task hand-over mechanisms
2. Design the "to-be" process covering all the above process and ensure that a correct and efficient design is theoretically prepared.

1. Process Design

- A real world analogy can be an "Architect Design" of a house.
- Good design reduces the number of problems over the lifetime of the process. Changes to business processes, resulting from changes in the context that a business operates in are a current research area.
- A Business Process Management Software, ideally, is used to design, model, implement, monitor and optimize human to human, human to system, and system to system workflows which makes evolution of business processes more smooth and close to the regulatory, market, competitive and conformance challenges faced by businesses.

2. Process Modelling

- Process Modelling encompasses taking the process design and introducing different cost, resource, and other constraint scenarios to determine how the process will operate under different circumstances.
- It also involves running "what-if analysis" on the processes like what if I have 75% of resources to do the same task? or what if I want to optimize my process so I can do the same job in 80% of the original cost?
- A real world analogy can be "wind-tunnel" test of an aeroplane or test flights to determine how much fuel it will consume and how many passengers it can carry.

3. Process Execution

- The traditional way to automate processes is to develop or purchase an application that executes the required steps of the process.
- However, in practice, these applications rarely execute all the steps of the process accurately or completely.
- Another approach is to use a federation of software and human intervention. Due to the complexity of the federated approach, documenting a process is difficult. This makes changing or improving the process difficult.

3. Process Execution

- As a response to these problems, software has been developed that enables the full business process (as developed in the process design activity) to be defined in a computer language which can be directly executed by the computer.
- The system will either use services in connected applications to perform business operations (e.g. calculating a repayment plan for a loan) or, when a step is too complex to automate, will message a human requesting input.
- Compared to either of the previous approaches, directly executing a process definition is much more straightforward and therefore easier to improve. However, automating a process definition requires flexible and comprehensive infrastructure which typically rules out implementing these systems in a legacy IT environment.

3. Process Execution

- The commercial BPM software market has focused on graphical process model development, rather than text-language based process models, as a means to reduce the complexity of model development.
- Visual programming using graphical metaphors has increased productivity in a number of areas of computing and is well accepted by users.
- Business rules have been used by systems to provide definitions for governing behaviour, and a business rule engine can be used to drive process execution and resolution.

4. Process Monitoring

- This monitoring encompasses the tracking of individual processes so that information on their state can be easily seen and the provision of statistics on the performance of one or more processes.
- An example of the tracking is being able to determine the state of a customer order (e.g. ordered arrived, awaiting delivery, invoice paid) so that problems in its operation can be identified and corrected. In addition, this information can be used to work with customers and suppliers to improve their connected processes.
- Examples of the statistics are the generation of measures on how quickly a customer order is processed, how many orders were processed in the last month etc.. These measures tend to fit into three categories: cycle time, defect rate and productivity.

4. Process Monitoring

- The degree of monitoring depends on what information the business wants to evaluate and analyze and how business wants it to be monitored, in real-time or ad-hoc. Here, business activity monitoring (BAM) extends and expands the monitoring tools in BPMS.
- Process mining is a collection of methods and tools related to process monitoring. The aim of process mining is to analyze event logs extracted through process monitoring and to compare them with an 'a priori' process model.
- Process mining allows process analysts to detect discrepancies between the actual process execution and the a priori model as well as to analyze bottlenecks.

5. Process Optimization

- Process optimization includes retrieving process performance information from modelling or monitoring phase and identifying the potential or actual bottlenecks and potential rooms for cost savings or other improvements and then applying those enhancements in the design of the process thus continuing the value cycle of business process management.

Organizational Culture

- Organizational culture, or corporate culture, comprises the attitudes, experiences, beliefs and values of an organization.
- It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization.
- Organizational values are beliefs and ideas about what kinds of goals members of an organization should pursue and ideas about the appropriate kinds or standards of behaviour organizational members should use to achieve these goals.
- From organizational values develop organizational norms, guidelines or expectations that prescribe appropriate kinds of behaviour by employees in particular situations and control the behaviour of organizational members towards one another”

Organizational Culture

- There is no single definition for organizational culture.
- The topic has been studied from a variety of perspectives ranging from disciplines such as anthropology and sociology, to the applied disciplines of organizational behaviour, management science, and organizational communication. Some of the definitions are listed below:

Organizational Culture

- A set of common understandings around which action is organized, . . . finding expression in language whose nuances are peculiar to the group (Becker and Geer 1960).
- A set of understandings or meanings shared by a group of people that are largely tacit among members and are clearly relevant and distinctive to the particular group which are also passed on to new members (Louis 1980).
- A system of knowledge, of standards for perceiving, believing, evaluating and acting . . . that serve to relate human communities to their environmental settings (Allaire and Firsirotu 1984).

Organizational Culture

- Senior management may try to determine a corporate culture. They may wish to impose corporate values and standards of behaviour that specifically reflect the objectives of the organization.
- In addition, there will also be an extant internal culture within the workforce. Work-groups within the organization have their own behavioural quirks and interactions which, to an extent, affect the whole system. Task culture can be imported.
- For example, computer technicians will have expertise, language and behaviours gained independently of the organization, but their presence can influence the culture of the organization as a whole.

Organizational Culture

- Basically, organizational culture is the personality of the organization. Culture is comprised of the assumptions, values, norms and tangible signs (artifacts) of organization members and their behaviours.
- Members of an organization soon come to sense the particular culture of an organization.
- Culture is one of those terms that is difficult to express distinctly, but everyone knows it when they sense it.
- For example, the culture of a large, for-profit corporation is quite different than that of a hospital which is quite different than that of a university.
- You can tell the culture of an organization by looking at the arrangement of furniture, what they brag about, what members wear, etc. -- similar to what you can use to get a feeling about someone's personality.

Organizational Culture

- Corporate culture can be looked at as a system. Inputs include feedback from, e.g., society, professions, laws, stories, heroes, values on competition or service, etc.
- The process is based on our assumptions, values and norms, e.g., our values on money, time, facilities, space and people. Outputs or effects of our culture are, e.g., organizational behaviours, technologies, strategies, image, products, services, appearance, etc.
- The concept of culture is particularly important when attempting to manage organization-wide change.
- Practitioners are coming to realize that, despite the best-laid plans, organizational change must include not only changing structures and processes, but also changing the corporate culture as well.

Organizational Culture

- There's been a great deal of literature generated over the past decade about the concept of organizational culture particularly in regard to learning how to change organizational culture.
- Organizational change efforts are rumoured to fail the vast majority of the time. Usually, this failure is credited to lack of understanding about the strong role of culture and the role it plays in organizations.
- That's one of the reasons that many strategic planners now place as much emphasis on identifying strategic values as they do mission and vision.

Some Types of Culture

- There are different types of culture just like there are different types of personality. Researcher Jeffrey Sonnenfeld identified the following four types of cultures.
1. Academy Culture
 - Employees are highly skilled and tend to stay in the organization, while working their way up the ranks. The organization provides a stable environment in which employees can develop and exercise their skills. Examples are universities, hospitals, large corporations, etc.

Some Types of Culture

2. Baseball Team Culture

- Employees are "free agents" who have highly prized skills. They are in high demand and can rather easily get jobs elsewhere. This type of culture exists in fast-paced, high-risk organizations, such as investment banking, advertising, etc.

3. Club Culture

- The most important requirement for employees in this culture is to fit into the group. Usually employees start at the bottom and stay with the organization. The organization promotes from within and highly values seniority. Examples are the military, some law firms, etc.

4. Fortress Culture

- Employees don't know if they'll be laid off or not. These organizations often undergo massive reorganization. There are many opportunities for those with timely, specialized skills. Examples are savings and loans, large car companies, etc.

Behavior and Artifacts

- We can also characterize culture as consisting of three levels.
- The most visible level is behaviour and artifacts. This is the observable level of culture, and consists of behavioural patterns and outward manifestations of culture: perquisites provided to executives, dress codes, level of technology utilized (and where it is utilized), and the physical layout of work spaces.
- All may be visible indicators of culture, but difficult to interpret. Artifacts and behaviour also may tell us what a group is doing, but not why. One cartoon which captures this aspect shows two executives sitting at their desks in an office.
- Both have large billed black and white checked hats. One is saying to the other, "I don't know how it started, either. All I know is that it's part of our corporate culture."

Values

- At the next level of culture are values. Values underlie and to a large extent determine behaviour, but they are not directly observable, as behaviours are.
- There may be a difference between stated and operating values. People will attribute their behaviour to stated values.

Assumptions and Beliefs

- To really understand culture, we have to get to the deepest level, the level of assumptions and beliefs.
- Schein contends that underlying assumptions grow out of values, until they become taken for granted and drop out of awareness.
- As the definition above states, and as the cartoon illustrates, people may be unaware of or unable to articulate the beliefs and assumptions forming their deepest level of culture.

Assumptions and Beliefs

- To understand culture, we must understand all three levels, a difficult task. One additional aspect complicates the study of culture: the group or cultural unit which "owns" the culture.
- An organization may have many different cultures or subcultures, or even no discernible dominant culture at the organizational level. Recognizing the cultural unit is essential to identifying and understanding the culture.

Assumptions and Beliefs

- Organizational cultures are created, maintained, or transformed by people. An organization's culture is, in part, also created and maintained by the organization's leadership.
- Leaders at the executive level are the principal source for the generation and re-infusion of an organization's ideology, articulation of core values and specification of norms.
- Organizational values express preferences for certain behaviours or certain outcomes. Organizational norms express behaviours accepted by others.
- They are culturally acceptable ways of pursuing goals. Leaders also establish the parameters for formal lines of communication and message content - the formal interaction rules for the organization.
- Values and norms, once transmitted through the organization, establish the permanence of the organization's culture.

Concluding Thought

- An understanding of culture, and how to transform it, is a crucial skill for leaders trying to achieve strategic outcomes.
- Strategic leaders have the best perspective, because of their position in the organization, to see the dynamics of the culture, what should remain, and what needs transformation. This is the essence of strategic success.