

MASSACHUSETTS INSTITUTE OF TECHNOLOGY
Sloan School of Management

15.320 - Strategic Organizational Design
Spring 2017

Course Instructor: Professor Thomas W. Malone
Office: E62-424
Phone: 617-253-6843
Email: malone@mit.edu
<http://cci.mit.edu/malone>

Admin. Assistant: Liz McFall
Office: E62-411
Phone: 617-253-7273
Email: mcfall@mit.edu

Teaching Assistant: Erik Duhaime
Office: E62-390
Phone: 401-578-9617
Email: eduhaime@mit.edu

Class Time: Tuesdays and Thursdays, 1:00 – 2:30

Class Place: Room: E62-223

Office Hours: By appointment

Course Description:

Traditional strategy courses focus on gaining competitive advantage from *products*. This course focuses on gaining competitive advantage from *organizational design*. Special emphasis will be placed on early examples of innovative organizational forms that haven't yet been proven but that may, in the future, provide significant competitive advantages.

The course should be especially useful for students who hope to be:

- Consultants helping companies develop effective organizational designs
- Entrepreneurs looking to leverage organizational design to create strategic advantage for their companies
- Leaders inventing new ways of organizing work to achieve their visions in any kind of organization

Readings

The following book is required for the course:

T. W. Malone, *The Future of Work*, Boston, MA: Harvard Business School Press, 2004.

Additional course material is available in the course reader, which is available at <http://study.net/mit> and from CopyTech (E52-076). This reader includes all the readings that are *not* available elsewhere on the web.

Please note that links to all the readings that are available on the web are included in Stellar (so you won't have to retype the web addresses!). *For some of these links, the publisher restricts access to subscribers only, and you will only be able to see the document if you are accessing the web via an MIT network.*

Excerpts from the following books are required and included in the course reader, but the rest of the books are also recommended:

- (1) Kates, A. and Galbraith, J. R. *Designing Your Organization*. San Francisco, CA: Jossey-Bass, 2007.
- (2) Surowiecki, James. *The Wisdom of Crowds*. New York: Anchor / Random House (paperback edition), 2005.
- (3) Tapscott, D. and Williams, A. D. *Macrowikinomics: New Solutions for a Connected Planet*. New York: Portfolio / Penguin, 2012.
- (4) Hamel, Gary. *The Future of Management*. Boston: Harvard Business School Press, 2007.

Assignments

Class participation

You are expected to participate actively in class discussions, and part of your grade will depend on your presence in class and the quantity and quality of your contributions to class discussion.

Reaction papers

To help you integrate and think about the course readings, a very short paper (about 1 page) is due at the beginning of each class session for which readings are assigned (including case studies), up to a total of 4 papers during the semester. (You can pick the 4 sessions for which you want to write papers.) These papers should contain your reactions to the readings for the session and possibly previous class discussions. Please do not just summarize the readings. Instead, please focus on your own thoughts about the readings. For instance, you might relate the readings to your own experiences, to other readings, to questions you have, or to other possibilities like those discussed in the readings.

You may, of course, discuss the readings with other students, but the papers are expected to be your individual work.

Problem sets

There will be one problem set:

Problem Set - Analyzing structural changes. You will be given several examples of organizational structure changes and asked to analyze their strengths and weaknesses using the frameworks presented in class.

Team project

The class will be divided into teams of about 5 people each, and each team will pick a "specialty"--an industry, a business function, a cross-functional process, or a specific company. Then, for the specialty your team picked, you will be responsible for doing two things: (1) using the frameworks developed in the class to analyze some aspect of the current organizational design in this specialty, and (2) describing at least 3 innovative ways this specialty may be conducted in the future. Some of the innovative ideas may be based upon real organizations already operating that way today, and others may be imaginative projections of future possibilities.

Sources for information about organizations of today can include published descriptions in newspapers, magazines, etc. However, you are encouraged, if possible, to obtain information about your specialty from personal contact with companies (in person or electronically). In addition to conventional business organizations of various types, you are free to study unconventional organizations, including organizations that exist only on the Internet (e.g., open source projects).

You will report the results of your work in two ways: (1) an in-class presentation of about 10-15 minutes, and (2) a written report of about 20-30 pages.

This project should be treated as a collaboration of "Type 3" as defined in the "Classroom Values@MIT Sloan" document. That is, all team members should contribute substantially to the deliverables. As long as each team member makes a substantial contribution, however, teams can divide the work among themselves in any way they deem appropriate.

In addition, teams can work with other teams in any way they wish. In general, teams are encouraged to reflect upon their own organization as examples of the issues studied in the class. Teams are also encouraged to use electronic collaboration tools (such as Google Docs) as appropriate.

Your grade on the team project will depend partly on: (a) how your teammates rate your contribution to the team's output, and (b) how your classmates rate your team's presentation to the class.

Due dates:

- Mar 2 Identify team and specialty (send email to the TA identifying team members and company, industry, function, or process)
- Mar 16 Preliminary outline of final report
- May 11-18 In-class presentations
- May 18 Final written report due

Grading

Class participation	35%
Reaction papers (4)	12%
Problem set	8%
Team project	45%

Logistics of Course Communications

The course is included in Stellar (<https://stellar.mit.edu/S/course/15/sp17/15.320/>). Postings there include the syllabus, lecture slides, and assignments. This material will be updated periodically during the course. Updates will also be communicated on the [class mailing list](#), and **it is your responsibility to be sure you are on this list**. To get onto the mailing list, you need to sign up for this class on Stellar. If you have questions about this, please contact the TA.

Classroom Values

Students are expected to follow the standards described in the document “Classroom Values@MITSloan.”

	Date	Class Topic	Assignments
<i>I. INTRODUCTION</i>			
1	Feb 7	What is strategic organizational design?	
2	Feb 9	Case: Uber	
3	Feb 14	Why are things changing?	
<i>II. DESIGNING ORGANIZATIONS FOR STRATEGIC GOALS</i>			
4	Feb 16	Basic organizational designs	
5	Feb 23	Applying basic organizational designs Case: Procter & Gamble	Problem set 1 out
6	Feb 28	Case: InnoCentive	
7	Mar 2	Aligning elements of organizational design Case: Eden McCallum	Team project information due
8	Mar 7	Designs for exploration – Product innovation Case: Google Inc.	Problem set 1 due
9	Mar 9	Maximizing employee motivation and creativity Case: AES	
10	Mar 14	Case: Valve Software	
11	Mar 16	Designing networks that cross firm boundaries Case: Procter & Gamble	Preliminary outline of team project report due
12	Apr 4	How are things changing?	
13	Apr 6	Case: Wikipedia	
14	Apr 11	Solving problems with networks Cases: OpenIDEO and others	
15	Apr 13	The process of organizational design and change Case: Zappos	
16	Apr 20	Case: eBay and Amazon.com	
17	Apr 25	New forms of group decision-making Case: Prediction Markets at Google	
18	Apr 27	Case: GE and the Industrial Internet	
19	May 2	Organizational design in startups Case: N12 Technologies	
20	May 4	Case: TopCoder	
21	May 9	What is the purpose of the organizations we are designing? Cases: Whole Foods and others	
<i>III. CONCLUSIONS</i>			
22	May 11	Project team reports	Team presentations
23	May 16	Project team reports (continued)	Team presentations
24	May 18	Project team reports (continued) Class conclusion	Team presentations Final team project reports due

I. INTRODUCTION

Feb 7 What is strategic organizational design?

Malone, *The Future of Work*, Ch. 1: A time to choose, pp. 3-14.

Optional:

Saloner, G., Shepard, A., and Podolny, J. *Strategic Management* (2001). New York: John Wiley & Sons, Ch. 3 (Competitive Advantage, pp. 39-54).

Feb 9 Example – Uber

Case study: Uber: Changing the Way the World Moves
(HBS Case No.: 9-316-101)

Skim:

Geoff Colvin, Every aspect of your business is about to change. *Fortune*, November 1, 2015. (<http://fortune.com/2015/10/22/the-21st-century-corporation-new-business-models/>).

Case questions:

1. What is Uber's strategy, and how is its organizational design related to this strategy?
2. How would you analyze Uber's strategic advantages and disadvantages relative to taxi companies?
3. How did Uber's organizational design contribute to its success? To what else would you attribute Uber's success?
4. What would you recommend for Uber going forward, and why?

Feb 14 Why are things changing?

Malone, *The Future of Work*, Ch. 2 (An Amazing Pattern) and Ch. 3 (The Amazing Pattern in Business). Skim Appendix.

Hamel, G. The why, what, and how of management innovation. *Harvard Business Review*, February 2006, Reprint No. R0602C.

Stoll, C. Why the Web Won't Be Nirvana. *Newsweek*, February 27, 1995 (<http://www.newsweek.com/1995/02/26/the-internet-bah.html>)

Optional:

Wyner, G. M., & Malone, T. W. Cowboys or Commanders: Does Information Technology Lead to Decentralization? *Proceedings of the International Conference*

on *Information Systems*, Columbus, OH, December 15-18, 1996
(<http://ccs.mit.edu/icis1996.pdf>)

Hamel, G. Moon Shots for Management. *Harvard Business Review*, February 2009, Reprint No. R0902H.

II. DESIGNING ORGANIZATIONS FOR STRATEGIC GOALS

Feb 16 Basic organizational designs

Kates, A. & Galbraith, J. R. (2007) *Designing Your Organization*. San Francisco: Jossey-Bass, Ch. 1 (Fundamentals of Organization Design)

Feb 20 Presidents Day Holiday – No class on Feb 21

Feb 23 Applying basic organizational designs

Case study: Procter & Gamble: Organization 2005 (A) and (B)
(HBS Case Nos.: 9-707-519 and 9-707-402)
(Case (B) to be distributed in class.)

Case questions:

1. Why did the US organizational structure shift from product grouping in the 1950s to a matrix in the 1980s? Why did the European organizational structure shift from geographic grouping in the 1950s to category management in the 1980s? Why were the two structures integrated into a global cube in the 1990s?
2. What are the key distinguishing features of Organization 2005? Why did P&G adopt this structure?
3. Should Lafley make a strong commitment to keeping Organization 2005 or should he plan to dismantle the structure?

Feb 28 Example – InnoCentive

Case study: InnoCentive.com (A) (HBS Case No.: 9-608-170)

Guest speaker:

Alph Bingham, cofounder, board member, and former CEO, InnoCentive, Inc.

Optional:

Malone, T. W. & Laubacher, R. J. The Dawn of the E-lance Economy. *Harvard Business Review*, September – October 1998, 76 (5), 144-152.

Note: As background for this class, you are encouraged to go to the InnoCentive website (www.innocentive.com), register as a solver, and try to identify one challenge you might find interesting.

Mar 2 Aligning different elements of organizational design

Case study: Eden McCallum: A Network-Based Consulting Firm (A) and (B)
 (HBS Case Nos.: 9-410-056 and 9-411-027)
 (Case (B) to be handed out in class.)

Guest speaker:

 Dena McCallum, Founding Partner, Eden McCallum, Inc.

Case questions:

1. How well aligned are the four elements of Eden McCallum’s business model? That is, how well do they support the firm’s business model and each other?
2. Should Eden and McCallum cut personnel? Why or why not, and what are the implications of that decision?

Mar 7 Designs for exploration – Product innovation

Case study: Google Inc. (HBS Case No.: 9-910-036)
 (Focus on section on “Google’s Organization”, skim the rest)

Case questions:

1. Do you think Google’s organizational structure at the time of the case is well designed to maximize product innovation? Why or why not?
2. Using any information you have about Google (from the case or other sources), please describe the processes and other managerial actions that Google uses to encourage product innovation.

Hint:

Additional information about Google’s organizational structure at the time of the case is available (via the Internet Archive) on the following web page:

(<http://web.archive.org/web/20100208082406/http://www.google.com/intl/en/corporate/execs.html>)

Optional:

Kane, T., Why our best officers are leaving, *The Atlantic Monthly*, January / February 2011, pp. 80-85 (<http://www.theatlantic.com/magazine/archive/2011/01/why-our-best-officers-are-leaving/8346/>)

Mar 9 Maximizing employee motivation and creativity

Malone, *Future of Work*, Ch. 4 (Loosening the Hierarchy)

Case study: AES Honeycomb (A) and (B)
(HBS Case Nos.: 9-395-132 and 9-395-122)
(Case (B) to be distributed in class.)

Case questions:

1. Why is Sant feeling pressure in the summer of 1992? As Sant, what would be your concerns?
2. What are the origins of Sant's problems? What is your diagnosis of the Cedar Bay and Shady Point episodes?
3. What changes, if any, would you advise Sant to endorse? Be sure to consider whether Sant should: (a) reorganize the company, (b) hire the recommended staff specialists, (c) revamp and strengthen the internal controls, (d) drop the emphasis on values.
4. The founders of AES thought they were creating a new form of business enterprise. In your opinion, is there anything new in the AES approach?

Mar 14 Example – Valve Software

Case study: Opening the Valve: From Software to Hardware (A) and (B)
(HBS Case Nos.: 9-415-015 and 9-415-016)
(Case (B) to be distributed in class.)

(Skim section of case on history of video game industry. Read the rest of the case.)

Additional readings:

Valve Handbook for New Employees, Valve Press, 2012

(http://media.steampowered.com/apps/valve/Valve_NewEmployeeHandbook.pdf)

Cifaldi, F. How Valve hires, how it fires, and how much it pays. *Gamasutra*, February 25, 2013

(http://www.gamasutra.com/view/news/187296/How_Valve_hires_how_it_fires_and_how_much_it_pays.php)

Woolley, A., Malone, T. W., & Chabris, C. Why some teams are smarter than others. *New York Times*, January 18, 2015, p. SR5 (<http://nyti.ms/1DLiUA9>).

Case questions:

1. How does the Valve Software organization work?
2. How could any organization work this way?
3. What should Valve do about hardware?

Mar 16 Designing networks that cross firm boundaries

Malone, *Future of Work*, Ch. 6 (Unleashing Markets, pp. 73-89). Excerpt from Ch. 7 (“Lessons about markets”, pp. 104-109).

Huston, L., and Sakkab, N. Connect and Develop: Inside Procter and Gamble’s New Model for Innovation. *Harvard Business Review*, March 2006, Reprint No. R0603C.

Study questions:

1. What is the organizational design for P&G's R&D?
2. What are the strengths and weaknesses of this approach for P&G?
3. What other examples can you think of where outsourcing is a good—or bad--idea?
4. If you were an independent contractor, would you like to be part of a "guild"?

Skim:

Gottfredson, M., Puryear, R., Phillips, S. Strategic Sourcing: From Periphery to the Core, *Harvard Business Review*, Feb 2005 (HBR Reprint R0502)

Boudreau, K. J., & Lakhani, K. R. How to Manage Outside Innovation, *MIT Sloan Management Review*, Summer 2009, Reprint No. 50413 (<http://sloanreview.mit.edu/the-magazine/2009-summer/50413/how-to-manage-outside-innovation/>).

Mar 20-31 Sloan Innovation Period (SIP) and MIT Spring Break – No classes.

Apr 4 How are things changing?

Malone, T. W., Laubacher, R., & Dellarocas, C. The Collective Intelligence Genome, *Sloan Management Review*, Spring 2010, 51, 3, 21-31 (<http://sloanreview.mit.edu/article/the-collective-intelligence-genome/>).

Surowiecki, J. *The Wisdom of Crowds*. New York: Doubleday, 2004. Introduction and Ch. 1.

Study questions:

1. For each gene listed in the first reading, can you think of at least one other example (not mentioned in the article) where this gene could be applied successfully?
2. Be prepared to brainstorm in class about how the different genes might be useful in the situation you are analyzing for your team project.

Optional:

Surowiecki, J. *The Wisdom of Crowds*. New York: Doubleday, 2004. Ch. 2, 3, 4. (Note: These optional readings are not included in the course reading packet. You are encouraged to buy or borrow the book to read them.)

Apr 6 Example – Wikipedia

Marshall Poe, The Hive: Can thousands of Wikipedians be wrong? How an attempt to build an online encyclopedia touched off history's biggest experiment in collaborative knowledge, *The Atlantic Monthly*, September 2006, pp. 86-94 (<http://www.theatlantic.com/magazine/archive/2006/09/the-hive/5118>)

Aaron Halfaker, R. Stuart Geiger, Jonathan T. Morgan and John Riedl (2012). The rise and decline of an open collaboration system: How Wikipedia's reaction to popularity is causing its decline, *American Behavioral Scientist* published online 28 December 2012 DOI: 10.1177/0002764212469365. <http://abs.sagepub.com/content/early/2012/12/26/0002764212469365>. (Summarized in: "Wikipedia editors in decline," <http://mybroadband.co.za/news/internet/67966-wikipedia-editors-in-decline.html>)

Chris Wilson, Why Wikipedia Is in Trouble. *Time* website, January 14, 2016 (<http://time.com/4180414/wikipedia-15th-anniversary/?xid=newsletter-brief>).

Optional case study:

Wikipedia (A) (HBS Courseware No.: 9-607-712) (Note: This case study is not included in the readings packet because it is designed for viewing on the web. See: <http://courseware.hbs.edu/public/cases/wikipedia/>)

Apr 11 Solving problems with networks

Case study: OpenIDEO
(HBS Case No.: 9-612-066).

Skim:

Malone, Thomas W., Laubacher, Robert J., & Johns, Tammy. The Age of Hyperspecialization, *Harvard Business Review*, July-August 2011 (HBR Reprint R1107C).

The future of work: There's an app for that. *The Economist*, January 3, 2015 (<http://www.economist.com/news/briefing/21637355-freelance-workers-available-moments-notice-will-reshape-nature-companies-and>).

Tang, J. C., Cebrian, M., Giacobe, N. A., Kim, H.-W., Kim, T., & Wickert, D. B. (2011). Reflecting on the DARPA Red Balloon Challenge. *Communications of the ACM*, 54(4), 78-85 (<http://dl.acm.org/citation.cfm?id=1924441>).

Climate CoLab web site: <http://climatecolab.org>. (see also: <http://www.pbs.org/wgbh/nova/next/earth/crowdsourcing-climate-change-solutions/>).

Optional:

Malone, T. W., Nickerson, J. V., Laubacher, R. J., Fisher, L. H., de Boer, P., Han, Y., Towne, W. B. Putting the pieces back together again: Contest webs for large-scale problem solving. *Proceedings of the ACM Conference on Computer-Supported Cooperative Work and Social Computing*, Portland, OR, February 25 – March 1, 2017 (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2912951).

Questions:

1. What should IDEO do with OpenIDEO?
2. Bearing in mind the case and the other readings, what opportunities do you see for other organizations to use crowdsourced problem-solving?

Apr 13 The process of organizational change

Kotter, John P. Leading change: Why transformation efforts fail. *Harvard Business Review*, January 2007, Reprint No. R0701J.

Case study: Tony Hsieh at Zappos: Structure, Culture and Change (Insead Case No.: IN1249).

Optional:

Jerry Useem, Are Bosses Necessary? *The Atlantic*. October 2015, (<http://www.theatlantic.com/magazine/archive/2015/10/are-bosses-necessary/403216/>).

Case questions:

1. Why do you think Tony Hsieh is making this change? Why is he doing it now?
2. What do you make of the fact that 14% of the employees took Hsieh up on his offer?
3. What do you think this process feels like as an employee?
4. What, if anything, should Tony do now?

Apr 18 Patriots Day Holiday - No classes

Apr 20 **Example – eBay, Amazon, and the future of the sharing economy**

Case study: eBay, Inc. and Amazon.com (A) and (B)
(HBS Case Nos.: 9-712-405 and 9-712-406)
(Case (B) to be distributed in class.)

Skim: The On-Demand Economy
(HBS Note No.: 9-716-405)

Questions:

1. What is eBay’s strategy, and how is its organizational design related to this strategy?
2. How would you analyze eBay’s strategic advantages and disadvantages relative to Amazon?
3. What does the history of eBay and Amazon tell us about possible futures for other “sharing economy” companies?

Apr 25 **New forms of group decision-making**

Case study: Prediction Markets at Google
(HBS Case No.: 9-607-088)

Optional:

Alix Spiegel, So You Think You’re Smarter Than a CIA Agent. *NPR*, April 2, 2014,
(<http://www.npr.org/sections/parallels/2014/04/02/297839429/-so-you-think-youre-smarter-than-a-cia-agent>)

Case questions:

1. What are the best ways to encourage more traders and trading within internal company prediction markets? Are you more in favor of using “hard” incentives (e.g., cash rewards) or “soft” ones (e.g., t-shirts and “bragging rights”)?
2. What kind of decisions are prediction markets useful for?
3. If you wanted prediction markets to be much more widely and effectively used at Google, what kind of organizational change process would you suggest to achieve this goal?

Apr 27 Example – GE and the Industrial Internet

Case study: GE and the Industrial Internet
(HBS Case No.: 9-614-032).

Case questions:

4. How would you assess GE’s Industrial Internet Initiative?
5. What are the next steps? Develop a specific action plan for Beth Comstock and William Ruh to work together to accelerate Industrial Internet efforts over the next five years.

May 2 Organizational design in startups

Case study: N12 Technologies: Building an Organization and Building a Business
(HBS Case No.: 9-316-002)

Case questions:

1. What were the major stages in N12’s scaling up process? What were the primary challenges? How effectively did the company manage the transition from four to 27 employees?
2. What has been N12’s approach to:
 - Building an organization?
 - Building a business?What (if any) is the connection between the two?
3. How would you describe the roles, responsibilities, and relationships of:
 - Berkson and Flavin?
 - Williams and Degtiarov?
 - Jarosz and Gouldstone?How have their jobs changed over time? How would you advise them going forward?

4. What is your evaluation of N12's future prospects? What do you see as the biggest opportunities? The primary threats or challenges? What (if anything) should they do differently?

May 4 Example - TopCoder

Case study: TopCoder (A): Developing Software through Crowdsourcing (HBS Case No.: 9-610-032).

Guest speaker:

Jack Hughes, Founder, TopCoder, Inc.

Case questions:

1. How is the organizational design of TopCoder similar to—and different from—InnoCentive?

May 9 What is the purpose of the organizations we are designing?

Malone, *Future of Work*, Ch. 10 (Cultivating People), Ch. 11 (Putting Human Values at the Center of Business)

Hamel, Gary. *The Future of Management*. Boston: Harvard Business School Press, 2007. Ch. 4 (Creating a community of purpose)

III. CONCLUSIONS

May 11 Project team presentations

May 16 Project team presentations

May 18 Project team presentations and Conclusions

Project team reports due at the beginning of class

Kelly, K. We are the Web. *Wired*, August 2005.
(<http://www.wired.com/wired/archive/13.08/tech.html>)