15.320 - Strategic Organizational Design
Spring 2014

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Class Time: Mondays and Wednesdays, 1:00 – 2:30
Class Place: Room: E51-145
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:


Additional course material is available in the course reader from CopyTech (E34-146). This reader includes all the readings that are *not* available 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 highly recommended:


The following web site is also recommended as a source of examples, news, and other material related to the class: [www.crowdsourcing.org](http://www.crowdsourcing.org).

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, up to a total of 3 papers during the semester. (You can pick the 3 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 two problem sets:

1. *Problem Set 1 - 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.
2. *Problem Set 2 – Using remote contract labor.* In order to give you personal experience with a new form of work organization, you will be asked to use an on-line labor market (such as Amazon Mechanical Turk) to perform some small tasks.

**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@MITSloan” 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:
Feb 26 Identify team and specialty (send email to the TA identifying team members and company, industry, function, or process)
Mar 12 Preliminary outline of final report
May 7-14 In-class presentations
May 14 Final written report due

**Grading**

Class participation 35%
Reaction papers (3) 9%
Problem sets (2) 11%
Team project 45%

**Logistics of Course Communications**

The course is included in Stellar ([http://stellar.mit.edu](http://stellar.mit.edu)). 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.”
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<td>Final team project reports due</td>
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I. INTRODUCTION

Feb 5  What is strategic organizational design?


*Optional:*


Feb 10  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:*


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

Feb 12  Why are things changing?


*Optional:*

Wyner, G. M., & Malone, T. W. Cowboys or Commanders: Does Information Technology Lead to Decentralization? *Proceedings of the International Conference*
Feb 17  Presidents Day Holiday – No class. Class meets on Tuesday (Feb 18) instead.

Feb 18  Example - eBay

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.)

Case questions:

1. What is eBay’s strategy, and how is its organizational design related to this strategy?
2. Who are eBay’s potential competitors? How would you analyze eBay’s strategic advantages and disadvantages relative to these competitors?
3. How did eBay’s organizational design contribute to its success? To what else would you attribute eBay’s success?
4. What would you recommend for eBay going forward, and why?

II. DESIGNING ORGANIZATIONS FOR STRATEGIC GOALS

Feb 19  Basic organizational designs


Feb 24  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 26 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:

(1) Google's official list of their management team members, including titles, as of February 2010:  


**Mar 3 Balancing tradeoffs in organizational design**

*Case study:* Jones Lang LaSalle: Reorganizing around the Customer (2005)  
(HBS Case No.: 9-410-007)

*Case questions:*

1. Which proposal should JLL choose? Why?

2. Define a plan of action for the implementation of the chosen option that addresses Roberts’ concerns.
Mar 5  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 or distinctive in the AES approach?

Mar 10 Aligning different elements of organizational design

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.)

*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 12 Designing networks that cross firm boundaries


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:


Mar 17-28 Sloan Innovation Period (SIP) and MIT Spring Break – No classes.

Mar 31  The process of organizational change


Case study: The National Geographic Society (HBS Case Nos.: 9-311-002).

Case questions:

1. How well has National Geographic followed the organizational change process outlined by Kotter? What else, if anything, should they do?
2. What are the strengths and weaknesses of the proposed e-commerce position? To whom should it report?
3. Please think of at least one example of successful—or unsuccessful—organizational change have you seen personally? How well did the change processes follow Kotter’s steps?
Apr 2  Example - Quirky


Guest speaker:
   Doreen Lorenzo, President, Quirky, Inc.

Apr 7  How are things changing?


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 9  Example - Threadless

Case study:  Threadless: The Business of Community
   (HBS Product No.:  608707)

Case questions:

1. What motivates community members to participate? What is Threadless offering its community members?
2. Is Threadless exploiting its community members?
3. What should be Threadless’s response to the offer from Large Retailer?
4. In what other businesses might the Threadless model work?
Apr 14  Outsourcing to crowds


*Questions:*

1. How could the techniques described in these readings be used in your team projects?
2. How could these techniques be used in other situations you can imagine?

Apr 16  Example – Wikipedia


*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 21  Patriots Day Holiday - No classes
Apr 23  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—Threadless and InnoCentive?
2. What advice would you give Jack Hughes about how to scale TopCoder to larger size?
3. Can you think of other industries where an organizational design like TopCoder's could be useful?

Apr 28  Solving problems with networks

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

Skim:


Tang, J. C., Cebrian, M., Giacobe, N. A., Kim, H.-W., Kim, T., & Wickert, D. B.  

Climate CoLab web site:  http://climatetoolab.org.  (see also:  

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 30  IT, organization, and the future of business strategy

Guest speaker:
Philip Evans, Senior Partner, Managing Director, and BCG Fellow, Boston Consulting Group.

May 5  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)


III. CONCLUSIONS

May 7  Project team presentations

May 12 Project team presentations

May 14  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)