

*Academy of Management  
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# Organizing for the Future: Designing the 21<sup>st</sup> Century Organization

***Strategy and Structure: The Process Will Continue***

Jay R. Galbraith

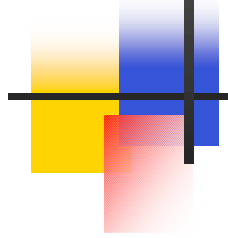
*For a copy of this presentation, please go to [www.jaygalbraith.com](http://www.jaygalbraith.com)*



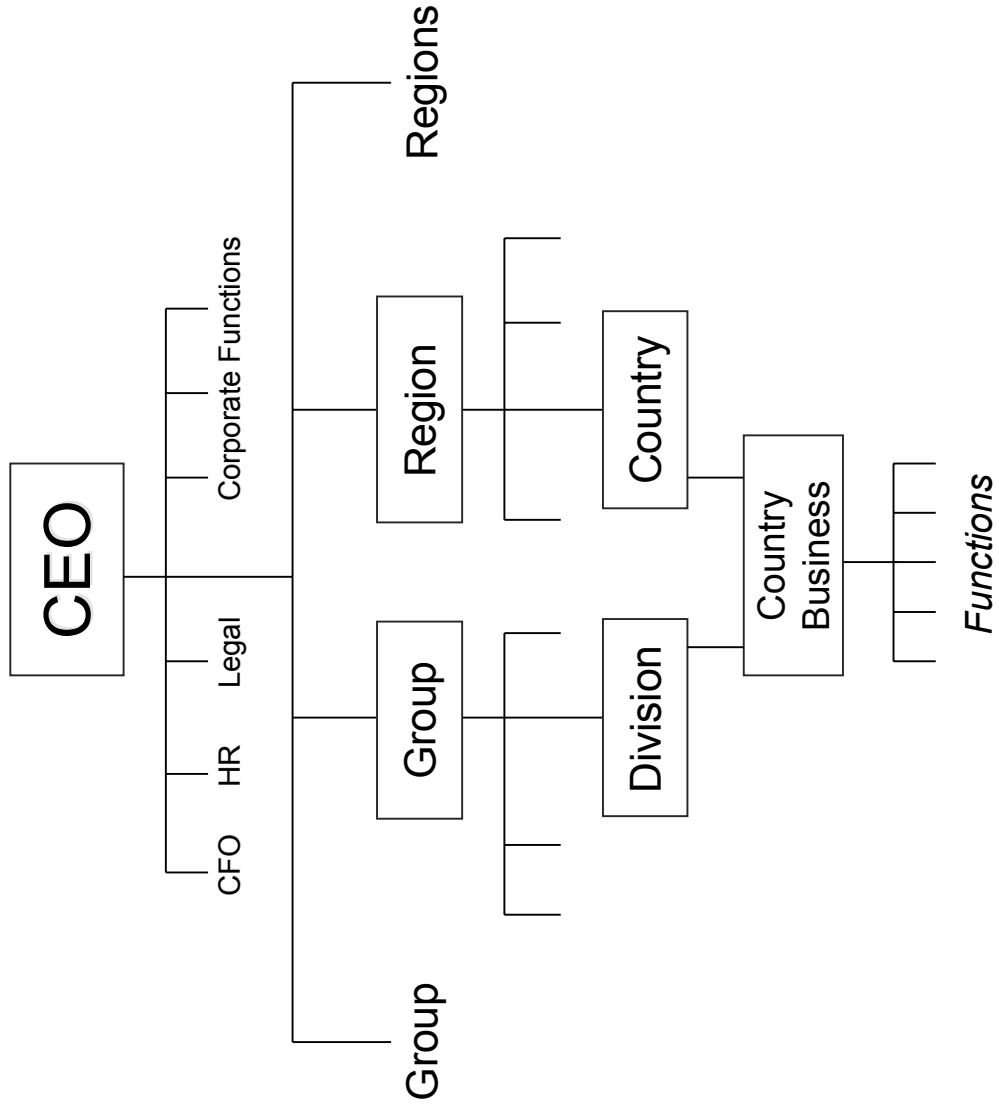
# Designing 21<sup>st</sup> Century Organizations – Assumptions

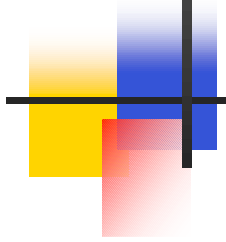
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- An enormous variety of types and sizes
- Understood and repetitive work disappear
- External variety
- Internal unbundling
- Organize around opportunities & resources
- Management process innovation
- Mastering complexity is critical success factor
- Different strategies = different organizations

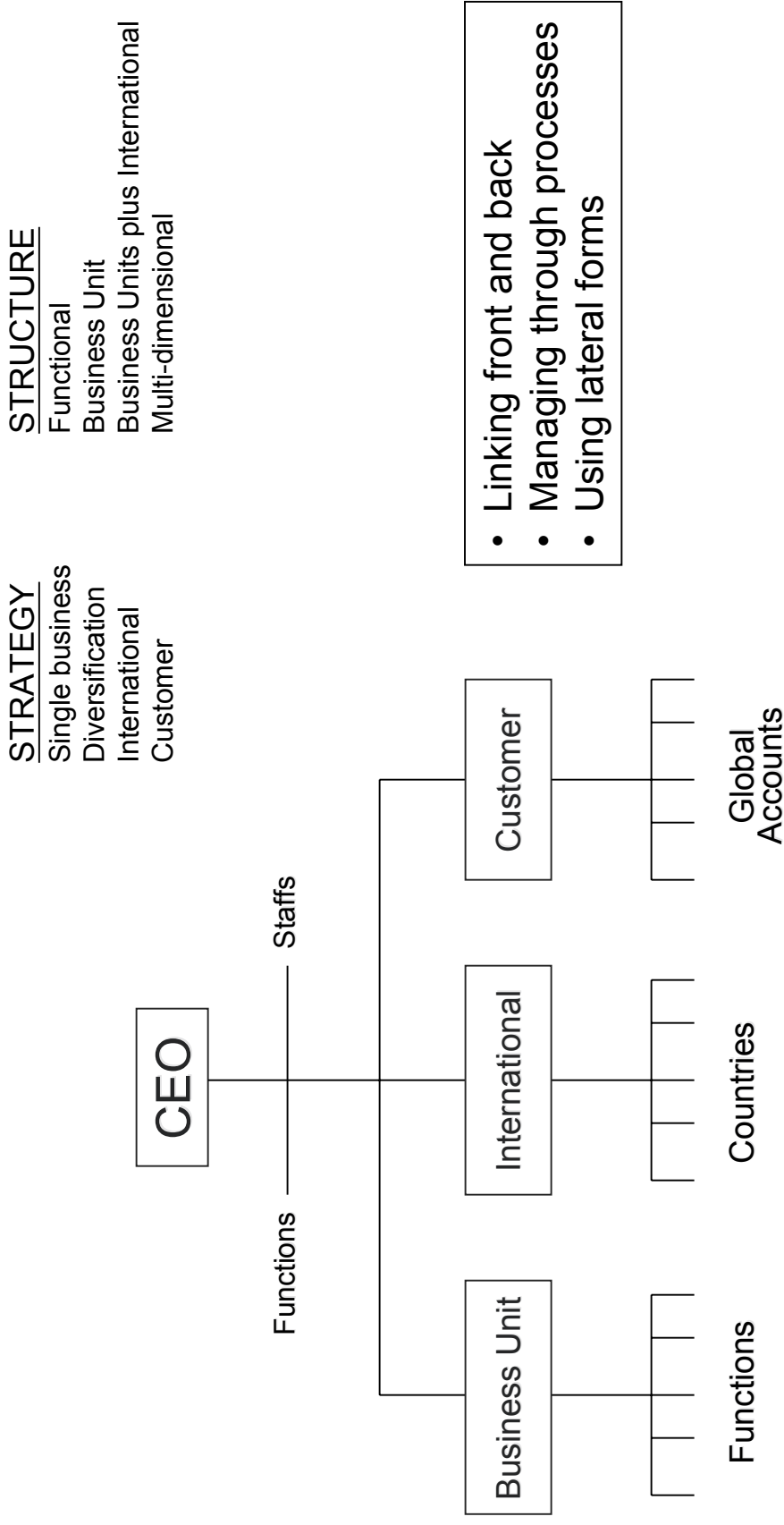


# International Matrix



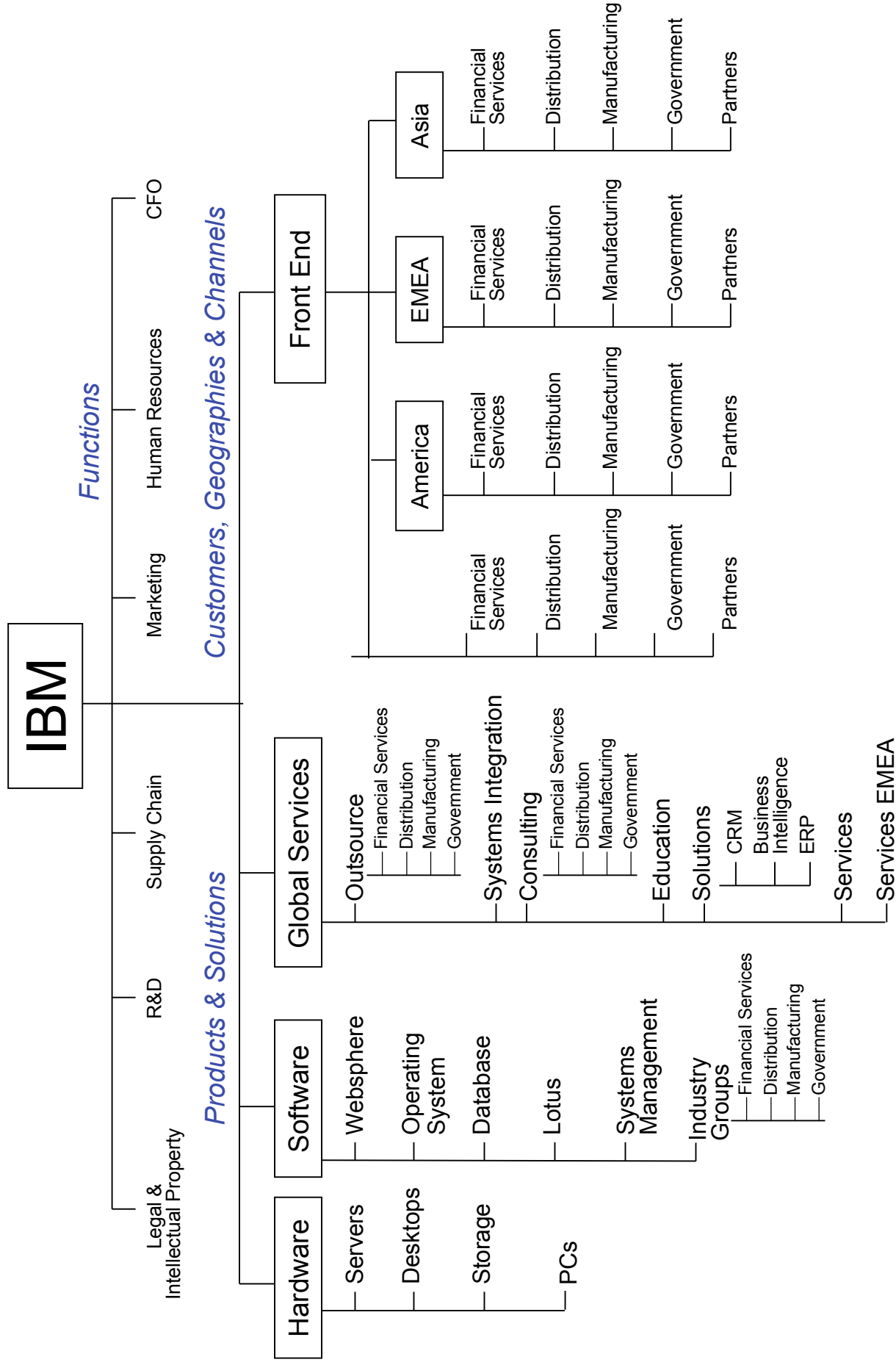


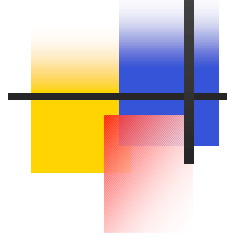
# Increasing Organizational Complexity



- Linking front and back
- Managing through processes
- Using lateral forms

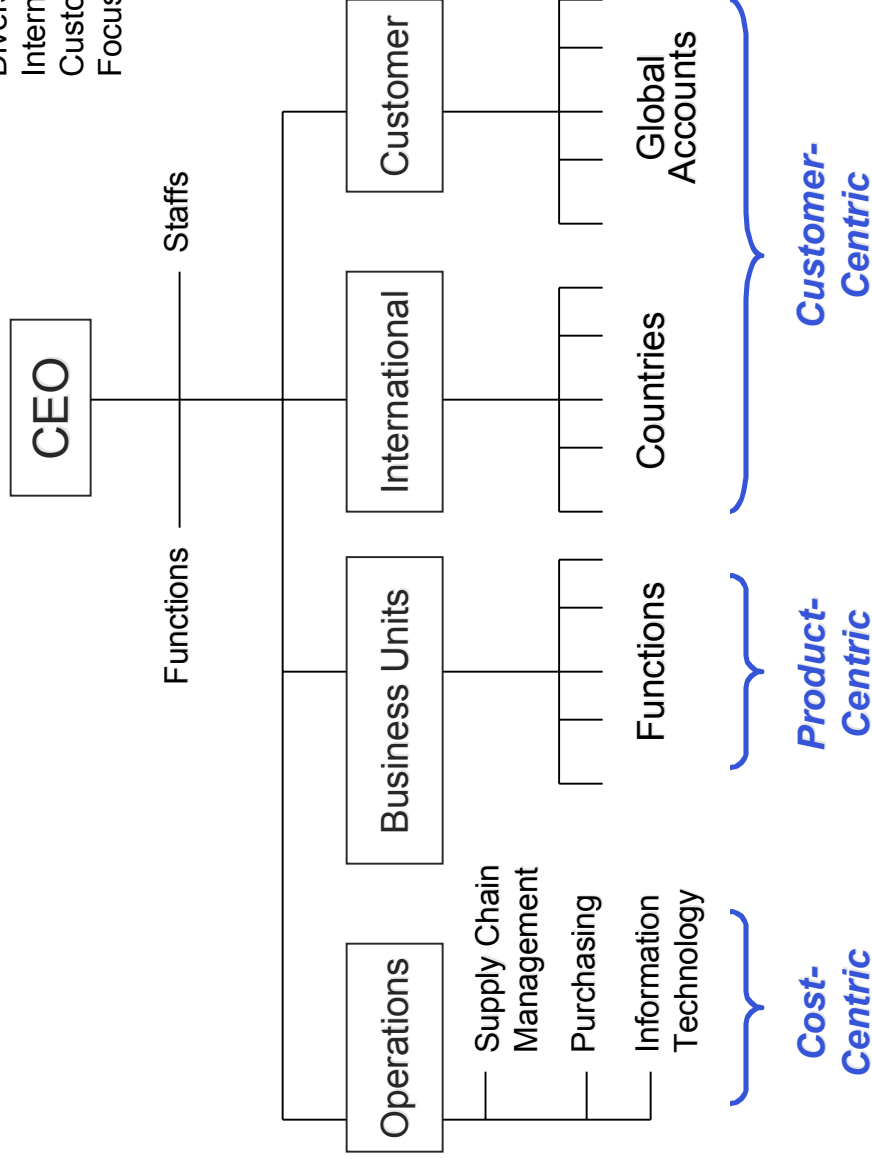
# IBM's Front-Back Structure





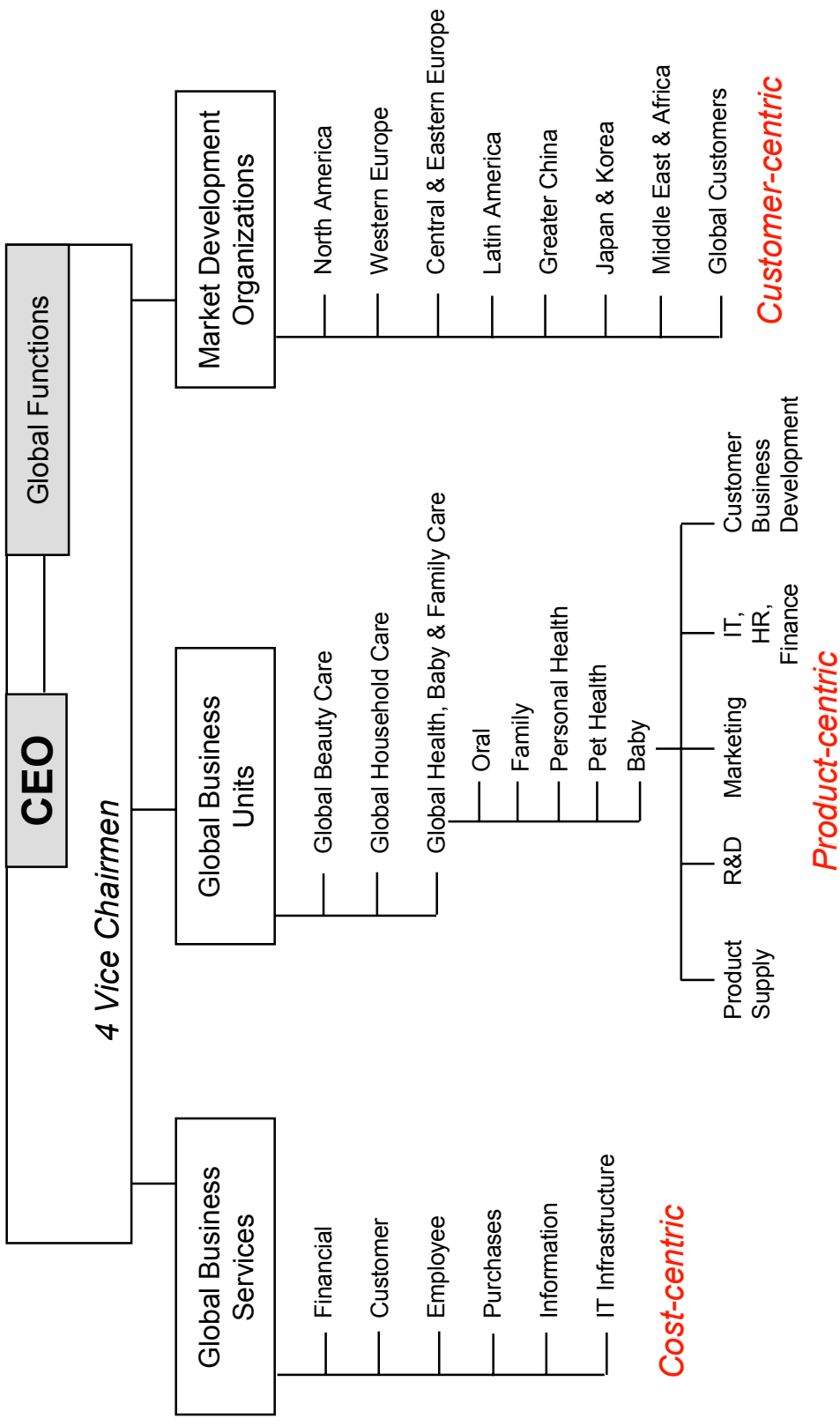
# Increasing Organizational Complexity

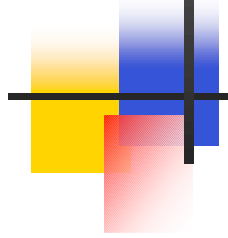
<u>STRATEGY</u>	<u>STRUCTURE</u>
Single business	Functional
Diversification	Business Units
International	Business Units plus International
Customer	Multi-dimensional
Focusing	Unbundled



# Competing With Your Organization — P&G

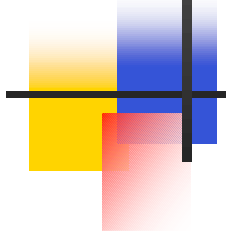
“A unique organization structure creates advantage.” (page 7, 2004 Annual Report)





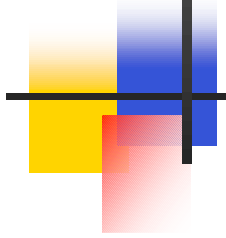
# IBM Opportunities

- Customer opportunities (new BMW plant in US)
  - Customer/industry plans for priorities, anticipation, lining up team
  - Opportunity owner assigned and assembles team — hardware, software, services, finance, partners
  - Quick response talent pools for repeatable solutions and growth goals
  - Tracking with Omsys (Opportunity Management System) + management review
- Solutions development (virtual business units)
  - Mayo Clinic for individualized medicine business unit
  - Search Mayo's patient database (4.4 million patients) for patterns similar to current patient
  - Data mining software, database product, search engine software, servers and storage hardware, consulting services and partners for genetic databases — adapt software, use hardware
  - Involved R&D from Computational Biology Center, artificial intelligence and security and patient privacy
  - Led by opportunity owner in the health care practice area — create repeatable solution



# IBM Leveraging Resources

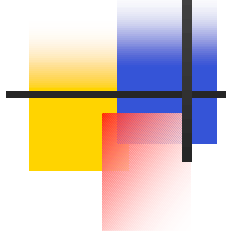
- Consists of (1) web hosting, (2) Applications Service Provider [CRM from Siebel, HR from PeopleSoft, ERP from SAP] and (3) electronic markets like e-Chemicals w/partner
- Part of Global Services, Outsourcing BU, P&L “Lite”
- IBM owns the hardware and software. IBM also runs the infrastructure and customer pays a fee (monthly, transaction or # of people) — 12 to 15 applications
- Business idea proposed through planning process.
- Idea accepted, owner selected, team across company is created
- Developed business plan, entered in planning process and it is funded
- Developed the offering, mostly software for Websphere, firewalls encryption, other middleware. Hardware needed to be changed. Went to Technical Committee and got project for “Pizza Box” server.
- Work with customers, train field people to sell and implement.
- 700 people distributed around world. Work for hosting business and local sales units in a matrix.



# Mastering Complexity - Process Innovation

## *Business Processes*

- Key processes disassembled
- Standardized, modularized processes
- Deliver on web services
- Outsourced



# Mastering Complexity - Process Innovation

## *Management Processes*

- Planning forecasts and resource allocation

- *Spreadsheets*
- *Short cycle*
- *Beyond budgeting*
- *Markets*
- *Large-scale meetings*

- Portfolio planning

- *New product development*
- *Solutions development — replication*
- *Modularity*

- Opportunity management

- Pricing
- Assembly/disassembly of teams
- Jams — values, log