*Midterm*

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1) Discuss the relationship between IT architecture, organizational structure and the problem issues at the Compaq and Symmantec. In what ways were the problem issues affected by this interaction? Given the culture of each company, how are their IT architectures respectively strategically positioned?

The factors that affect an organization are their “Environment>Organizational Strategy>Organizational Structure>IT Architecture>Jobs>People.” [1] Understanding these factors either helps maintain the organizations competitive edge or helps an organization find what their problem areas are. Cash defines an organizational structure as “much more than an organizational chart of lines and boxes. In thinking about structure, issues that must be addressed include the division of labor and decision rights, coordination mechanisms, organizational boundaries, and informal structures.” [2] If managers do not understand and relate their organization to the five dimensions of division of labor and decision rights, coordination mechanisms, organizational boundaries, and informal structures. They will not be able to build a successful organizational structure.

On the other hand, cash states an IT architecture “defines the policies and guidelines that govern the arrangement of IT tools and data. By establishing a logical, coherent plan, an IT architecture ensures that decisions about technology investment and use are in keeping with corporate strategy and capabilities.” [3] An IT architecture relates to an organizational structure because an IT architecture must fit to the organizations structure in order to be effective. IT architecture can make your organizational structure more efficient. Cash states efficiency as “the ability of organizational members to perform their tasks reliably, with minimal errors, and with economy of effort and resources (such as labor and capital).” [4] With a well-established IT architecture, an organization provides economy of resources which improves efficiency and makes the organization more effective.

The ways in which the interaction between organizational structure and IT architecture affects the problem areas of Symantec starts with one of the dimensions of an organizational structure. The division of decision rights and how Gordon Eubanks believes there is communication problems amongst product groups and employees. He is right in that product groups don’t communicate with each other but that is due to the fact that the product groups are geographically dispersed. This makes it very hard to have effective communication. Gordon Eubanks wants to improve this communication but should leave the product groups alone because Symantec is increasing net revenues and Gordon Eubanks doesn’t understand how Symantec’s divisional structure works. According to Cash “a divisional structure, groups diverse functions such as manufacturing, research and development, and marketing within each division.” This implies that divisions operate as their own business. There is no need for the product groups to communicate when they are their own business. This relates to the IT architecture of Symantec in that they are a divisional structure and it is stated in lecture that “in a divisional structure IT is decentralized.” [5] This affects the problem with Symantec’s MIS department not being able to respond to a service request in an efficient manor, because IT is dispersed across many geographical locations with many IT functions needing assistance. I do not believe that they have developed a successful strategy to allow the MIS department to handle the overhead of their decentralized IT architecture so they can be effective and efficient.

There seems to be many cultures across the product groups of Symantec. Given that all the product groups are geographically dispersed. Morgan states that you “manage and design an organization through values, norms, and beliefs and other behavioral patterns.” [6] I believe at Symantec there are different norms, beliefs, and other behavioral patterns because each product group division is dispersed from one another and operates as their own entity. Symantec’s IT architecture is strategically positioned in a decentralized manor. The MIS department who fixes issues with the IT architecture systems is in a centralized location. Given the culture of Symantec this is not a very strategic position for the MIS department because of the different values, norms, and beliefs of each product group. MIS would work better in a decentralized manor because Symantec would become more organized. Morgan states “The culture of the organization will reflect the culture of the society. Hence organizations will have to be effectively organized and structured.” [7]

The ways in which the interaction between organizational structure and IT architecture affects the problem areas of Compaq starts with the Division of Decision Rights. Compaq makes all their decisions based on what the financial department decides. The Finance staff attended all key staff meetings, participated broadly in business decisions, and contributed in all areas, even product features. The IT architecture was solely based on the ASK information system which provided financial controls throughout Compaq. This relates to the organizational structure because Compaq uses there financial controls to even construct their organizational structure. Compaq started with a functional structure but then changed to a divisional structure, to try and stimulate product development. Management soon concluded that Compaq was not separate businesses and switched back to a functional organization. According to Morgan and Max Weber “ bureaucracies are a form of organization that emphasize precession, speed, clarity, regularity, reliability, and efficiency achieved through the creation of a fixed division of tasks, hierarchical supervision, and detailed rules and regulations.” [8] Compaq’s financial controls are fixed and provide easy hierarchical supervision because everything is based off of the financial controls. This is why they had to switch back to a functional structure.

This brings me to the culture of Compaq and how the IT architecture is strategically positioned. Compaq believes their culture is based on open communication and the ability to speak out on new ideas. In reality the ASK system directly violated these values and beliefs of open communication. An example would be the ASK system providing requirements planning and financial staff monitoring for what the project team needs. According to cash “the basis of authority is having the ability to negotiate resources.” [9] The Financial staff are the communicators and coordinators for the whole operation at Compaq. There is very little authority amongst the project teams other than the financial staff. It would bring me to the conclusion that the culture is positioned to make you believe that Compaq’s IT architecture is strategically placed for open communication and the ability to speak out on new ideas. In reality the IT Infrastructure of the ASK system is strategically positioned to do exactly the opposite. Giving the Finance staff full control over the functions of the project groups at Compaq. Also, I believe that Compaq is completely ignoring the environment factor because there is little mention of external factors in the case. According to Morgan “Know that environments select organizations for survival and are the most powerful force in their survivability.” [10] This is always important to note if you want to stay competitive in a market.

2) Consider the following two organizations – Wal-Mart and Netflix. Given the models and theories we have covered up to this point in the course, which company is better positioned for the near future? For the next 15 years? Why?

I believe that Walmart is best positioned for the near future. I believe this because it is stated in the e-business 2.0 roadmap to success “Accurately identifying trends helps businesses analyze and synthesize consumer behavior, eliminate uncertainty, and identifying new opportunities. For example, Sam Walton, the founder of Wal-Mart, saw a rise of self-service in the 1960s and capitalized on it before anyone else did.” [1] This shows that Wal-Mart began back in the 1960s by identifying new opportunities and is still identifying new opportunities to this day. According to the e-business 2.0 roadmap to success “More and more Fortune 500 companies are aligning with venture capital firms to create stand-alone Web businesses. After two homegrown efforts to build a Wal-Mart Web presence fizzled, Wal-Mart is spinning out Walmart.com with Accel Partners.” [2] Walmart identified the new opportunity to sell goods online and decided to outsource to Accel Partners in order to have a presence in the online market. They realized that they cannot do everything well and needed critical skills to get their internet presence up and running. They realized e-commerce was on the rise and they needed to be in the market for it.

The reason e-commerce became such a big deal to brick and mortar stores like Wal-Mart is because of the properties of the internet. According to the internet business model “the internet has an infinite virtual capacity to serve to customers with a limited wait time.” [3] This is big for companies because if a customer has access to a computer and a browser, customers can surf the web to the company’s website and look at all the products they provide.

Netflix is solely an e-commerce business who differentiates themselves based on the infinite virtual capacity of the internet and the ability for Netflix to stream movies and TV shows, straight from their website with no wait time. In the early years Netflix was able to compete in this market based on using the internet property of an infinite virtual capacity to their advantage. This utilization began to create big problems for some competitors like Blockbuster. Blockbuster was a brick and mortar store that provided DVD rentals to consumers. Since Netflix provided the ability to stream movies and TV shows from your home, without the potential of not having the movie or TV show in stock, like you could encounter at Blockbuster. This resulted in Netflix encountering one of the properties of the internet, a creative destroyer. According to the Internet Business Model “a creative destroyer is when the internet replaces an older way of achieving a task.” [4] Once Netflix entered the market, less and less people wanted to drive to Blockbuster to rent a movie. This eventually ran Blockbuster out of the market and Blockbuster soon filed for Bankruptcy thereafter.

In today’s world Netflix still has a competitive edge because they were one of the first businesses to provide streaming TV shows and movies over the internet. Many other competitors have entered the market since Netflix (I.e. Amazon, Hulu) which increases competitive intensity. According to Porter’s Five Forces “factors that increase competitive intensity are a larger number of firms.” [5] In the future, I believe that Netflix will encounter many new competitors due to low barriers to entry in their market. This will continue to grow the market for streaming TV shows and movies. Netflix and its competitors will continue to fight over market share as they all strive to become the market leader. This will cause Netflix to encounter hardships from gaining market share because of many new competitors entering the online streaming of TV shows and movies market. Netflix and competitors may end up merging because they all provide a similar service with similar movies and TV shows. This is why I believe Netflix is not better positioned for the future.

My main argument for why Walmart is better positioned for the future compared to Netflix is because Netflix is solely an e-commerce business. Wal-Mart has both a brick and mortar presence and a click and order presence. According to the e-business 2.0 roadmap to success “The hottest trends in e-tail probably won’t be pure-play companies selling strictly through the Net. The most likely trend is toward the click and brick pattern, a hybrid online/offline business model incorporating both physical and online business practices.” [6] This allows companies to spread their market presence in both the e-commerce and brick and mortar markets. I believe you will always have customers who want to buy products in person rather than over the internet. This is due to customer’s tacit knowledge, which is what customers know about the product and desire to use this knowledge in person, before they buy the product. An example from lecture would be “You walking into an apartment you are thinking about renting and smelling the environment to see if they have cats because you are allergic.” [7] This is similar when wanting to buy certain products at Wal-Mart in person. The customer might not want to buy bananas online because they have to check how ripe they are before buying the bananas.

To conclude, Wal-Mart is better positioned for the future because they have both a brick and mortar and a click and order presence in markets. Netflix only has a click and order presence limiting their market presence and their opportunities to sell their service to consumers. This is due to not every customer knows how to stream movies and TV shows through Netflix. This is why they mainly rent movies from Redbox. Netflix is missing out on this market opportunity. Wal-Mart is in many different industries and many different markets. Including the market providing e-commerce. According to e-business 2.0 Roadmap for Success “At the dawn of an era in which the consensus business wisdom is that everyone will soon order everything from books and furniture to clothing and food over the Web, many strategists are realizing that one of the best assets for online selling is an offline store. The key to maximizing the potential of both channels is to weave them seamlessly together, allowing the consumer to buy anytime and anywhere.” [8] Wal-Mart has the click and brick structure and puts the customer at the center of the purchasing process. Customers can either order from home and have products delivered or order from the store and take their products home. This gives Wal-Mart a bright future because there are no limits to how they can provide for the consumer.

3) In the Course Documents section of Blackboard, there is a PowerPoint presentation (in Control System Example; filename Colleague Core Competencies) from a large pharmaceutical outlining the annual results controls for the company’s sales force, which is the sole determinant of their annual bonuses. You are a consultant asked to comment on the controls. What do you report to the senior management of the drug firm?

The colleague core competencies of Functional/Technical Skills, Acts Decisively, Seizes Accountability, Grows Self, Change Agile, Self-Awareness, Commits to “One Pfizer”, and Peer Relationships, are good to provide to employees as a reminder for why they work for this pharmaceutical company, but it does not necessarily put controls on employees because they are not measured or assessed by these competencies. Cash states “The purpose of control is to create a set of conditions that improve the likelihood that desirable outcomes will be achieved, despite changing technologies, markets, competitive conditions, and other features of an organization’s volatile environment.” [1] Based on the controls of your performance rating scale and differentiators for your pharmaceutical company. I believe the controls are set up to give employees the incentive to score high on the rating scale so their annual bonuses will be higher. Your controls do seem to improve the likelihood that a desirable outcome will be achieved because it gives employees the incentive to work hard so they will receive a higher bonus. This type of control for your company is defined as a results control. Cash defines a results control as “Managers compare individual and organizational performance with planned or expected performance, and make appropriate judgements.” [2] Employees of MidWest RBU are rated upon expectations of a certain objective or job requirement surpassing excellent results, top quality products and services produced, and accomplish far in advance of agreed-upon timeframes or financial criteria. The differentiator measurements are of magnitude of Influence, competency, approach, commitment, and consistency. Although your controls could increase the likelihood of a desirable outcome, I believe these measurements seem to be hard to measure or not very accurate measurements to rate an employee’s performance. According to Cash “a management control system is defined as being comprised of criteria for comparing measures against expectations or standards and processes for obtaining and evaluating measures.” [3] There does not seem to be an accurate process for obtaining these performance measures or a criteria for comparing measures against expectations. For example, how do you measure magnitude of influence, commitment, or top quality products or services accurately? These are very broad measurements and objectives that can be objective or based on a bias of whoever is rating an employee’s performance. Cash defines a measurement as “quantitative estimates of the value of some variables, which are derived from available data.” [4] An example of an affective measurement for MidWest RBU would be to measure first quarter sales and compare the sales against a measure that you expect your sales force to obtain. This in an accurate indicator that the sales force is on track and deserving of bonuses. Cash states “measures of financial results are more highly refined than are measures of nonfinancial variables results, such as quality.” [5] All of the differentiator measures of an employee’s performance are rated upon quality. This includes Magnitude of Influence, competency, approach, commitment, and consistency. These are not refined measures because they can be objective or include bias based upon who is rating the employees’ performance. Cash states “where items can be counted, defining the underlying data and developing the measures are reasonably straight forward.”[6] When measures are straight forward they become more accurate and employees better understand their objective. This benefits your company by having more accurate performance measures of your employees so you can better understand how your company can improve performance. It benefits your employees by them receiving a higher bonus.

Since you are enforcing a results control and rewarding employees with performance, you need to monitor managers carefully or have full trust in managers to assess the employees of the sales force. Cash states “linking rewards to results can have a positive impact in providing an explicit signal about desirable actions and results. It can also have negative consequences.” [7] If you don’t monitor managers who are assessing employees, then they might manipulate measures based on employees they like or don’t like. This action is definitely not in the best interest of the Midwest RBU as a whole.

Once you established straight forward measures like how the sales force performed in the first quarter and compare that to your criteria measurements for a successful sales force. You must then review your process for continuous improvement. Cash states “since business conditions are not static, neither should control systems be static.” [8] This would relate to Midwest RBU because growth seems to be a big objective in your company. As your company grows this will change criteria and create more processes that need to be measured. If this is not properly done than the controls can be flawed and employees may not be measured to their full potential.

To conclude, Midwest RBU needs to focus their control measurements on measures of financial results because they are more highly refined than are measures of nonfinancial variables results, such as quality. This provides more straight forward measurements and when measures are straight forward they become more accurate, resulting in employees better understanding their objective. This benefits your company by having more accurate performance of your employees so you can better understand how your company can improve performance and it benefits your employees because they receive a higher bonus. Also, always monitor managers measuring performance of employees because they could manipulate employees measurements based on hate or friendship. This will all increase your ability to manage your control system and improve Midwest RBU. Cash states “effective management control systems are the primary tool of results control.”[9]

**SOURCES**

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