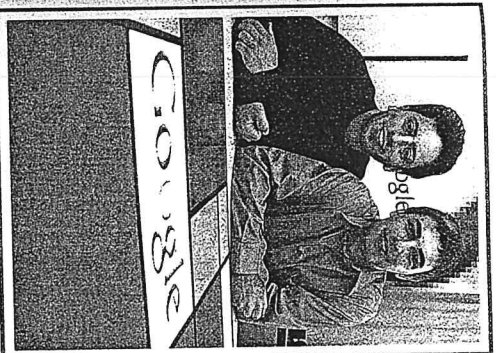


# Chapter Fifteen

## Designing Effective Organizations

### LEARNING OBJECTIVES

1. After reading the material in this chapter, you should be able to:
2. Describe the four characteristics common to all organizations.
3. Explain the difference between closed and open systems.
4. Define seven basic ways organizations are structured.
5. Discuss Burns and Stalker's findings regarding mechanistic and organic organizations.
6. Identify when each of the seven organization structures is the right fit.
7. Describe the four generic organizational effectiveness criteria.



Sergey Brin (on left) and Larry Page cofounded Google and believe there is an optimal size for all organizations. Do you agree?

Over the years Google co-founders Sergey Brin and Larry Page have become understandably judicious about their time. After all, multibillionaires are constantly in demand. Yet the engineering-grad-students-turned-media-moguls made time for FORTUNE when informed that Google had been chosen, for the second year running, as America's best company to work for. . . .

On the subject of culture, one of the key components to building a great long-term company, Page and Brin by turns again display the art of spin and candor. Page recently visited some new Google offices in the Seattle area and says he's amazed at how much these newer, smaller offices resemble Google in its early days.

"You walk into an office with 200 people and it's amazing the extent it feels like Google did when it was a startup," he says. "I think that's really healthy for a culture." Page believes human organizations have an optimal size he calls

"natural units." He waxes for a bit on their virtues. "I think as we get bigger, that's the way we're going to try to maintain our culture—to make sure we have the right-sized groups."

Brin isn't so sure. The founders famously say they bicker privately, and Brin offers a glimpse by contradicting Page. "I don't think keeping the culture is a goal," Brin says. "I don't think we should be looking back to our golden years in the garage. The goal is to improve as we grow, and we certainly have more resources to bring to bear on the cultural issues and whatnot as we gain scale."

In other words, for Page it's about maintaining the culture; for Brin it's about improving it. Interestingly, Schmidt (Google's CEO), who'll often interrupt the founders when he thinks it's necessary, sits by silently.

Ask if they think Microsoft erred by allowing itself to get too big, and Page returns to his natural-units kick.

"Microsoft, as I understand it, grew mostly in one location, which certainly is not the case for us," Page says. "We have different groups of people that are doing different kinds of things, like, for example, YouTube, which has remained largely a division. They're in San Bruno [about 20 minutes up the freeway from Google's Mountain View, Calif., headquarters], and they have their own culture, which is different and cool. If you look at companies that are really big and successful at doing many different things, like GE, they certainly have a complex organizational structure. But they're able to keep it together."

This notion of YouTube's being a separate entity is certain to raise eyebrows among certain factions within Google. Yes, YouTube is physically apart, and its founders, Chad Hurley and Steve Chen, appear to be still very much engaged. • YouTube, in fact, hasn't been Google-ized. But Google insiders make it clear that Google guides the show at YouTube,

including the fact that most department heads at YouTube report to a superior at Google. And while General Electric is famous for its decentralized approach, it has a unified culture nurtured from headquarters. More to the point, there aren't many companies that have pulled off the balancing act GE (GE, Fortune 500) has.

The founders clearly are thinking ahead as Google becomes more acquisitive. I wonder, for example, how Google will do at integrating the people of DoubleClick, none of whom will have been vetted by the famously rigorous—and often annoying—Google hiring process.

"We don't really know that the way we hire at Google is optimal, and we're trying to improve it all the time," says Page. "We obviously hire a lot of smart people. We also hire people who have different kinds of skills, and we hire people who work on computers, and do construction, and many, many other things."

With companies Google has acquired, their hiring culture may be different, "but they've had something that really worked for them in their space," Page adds. "For a company like DoubleClick, they understand what they're doing. The company has been around for a long time, is pretty mature, and they're obviously serving the customers well. So, we're not religious about the way we do it. In fact, we're trying to learn from how other people operate as well."

**Do you agree with Larry Page's conclusion that all human organizations have an optimal size? Explain your rationale. For an interpretation of this case and additional comments, visit our Online Learning Center at [www.mhhe.com/kimclark](http://www.mhhe.com/kimclark)**

**FOR DISCUSSION**