Case: Microsoft and the power of the Divisional Structure

One of the reasons of the recent Microsoft´s renewal is the organizational change that the new CEO Satya Nadella made in 2015. He changed the functional structure of Microsoft for a streamlined divisional organization around three main engineering groups - with more focus on innovation- in addition to the business functions.

Microsoft is an interesting illustration of the fact that with time or to achieve its strategic ambition, a company may be driven to diversify into sectors which address new and markedly different customers or to call forth heterogeneous resources and skills. With a functional structure, each function will then meet increasing difficulties to effectively cover all the needs of the company's different markets. Coordination becomes more difficult because of the diversity of products, the variety of clients, and their increasing demands.

In that situation, the divisional structure is best suited for the organization. This structure gathers the various functions in units called "divisions" which are organized by categories of markets or products. In the case of Microsoft, Nadella justified the move to a divisional organization because of the necessity to make sure Microsoft would focus on and deliver in the new areas of the mobile and the cloud business, beyond the traditional PC market.

The divisional structure also promotes decentralization of decisions. The Divisional Director has all the elements in hand to meet the objectives set for him. Being a Divisional Director is also an excellent preparation to become a Chief Operating Officer. Indeed, the two positions require similar qualities in terms of analysis, decision making, and implementation.

Enduring firms rule with an iron fist to prevent internal conflicts that affect the common goal by reminding everyone of the corporate ambition and its values. Obviously, this is much more difficult for other companies where such an ambition does not exist and the only aspiration of those in charge is limited to money and power. Divisional structure problems may occur when the company's management weakens or disappears. As empires crumble at the death of the founder, divisional structures decline in the absence of a strong leader. Directors become barons and they engage in internal fights, which unleash centrifugal forces eventually leading to the explosion of the structure and the demise of the firm.

Adapted from: Microsoft and the power of the Divisional Structure by Eric Viardot (2020).

[online]. Last modified 07 February.

https://www.linkedin.com/pulse/microsoft-power-divisional-structure-eric-viardot/

Questions

1. According to the case above, what is the organizational structure followed by Microsoft? Briefly explain the advantages and disadvantages associated with that organizational structure. *[05 Marks]*

2. According to your opinion, which type of span of management is best suited for Microsoft? Justify your answer. *[06 Marks]*

3. *"Decentralization paves the way for better decision making."*

   Do you agree with the above statement? Discuss the validity of the statement in the context of tech industry. *[08 Marks]*

4. *"Organizational structure can boost coordination of communication, decisions, and actions."*

   Discuss how the organizational structure of Microsoft has impacted on the success of the organizational communication. *[10 Marks]*

Total Marks: 30 Marks