

# Organizational Design

## Tutorial

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Week 12

You offer consumers five different lines of products: football, rugby, tennis, basketball, and golf gear

You are divided into the following units:

- Operations
- Sales & Marketing
- Human Resources
- Accounting

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You are going to face a series of challenges for the organization, for which you must find a solution

For each challenge, indicate whether a solution appears *easy* or *difficult* given your organizational structure, and prepare to explain why

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Easy

This concerns only the accounting group, which is centralized in one place: they can decide

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Easy

Operations personnel work with and know each other, so they can devise and disseminate a solution



Corporate office has mandated a crash program to develop a new selection of eco-friendly children's products for the football and basketball lines

Work out the needed changes with all Operations, Sales & Marketing, and Human Resources managers associated with these product lines

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Difficult

Immediate coordination is required among members of different units, who may not know how to relate

The CEO has decided to do a major corporate restructuring, so from now on you will be divided in the following units:

- Football
- Rugby
- Tennis
- Basketball
- Golf

Each of the new units contains at least one specialist from each of the former units

Due to sagging corporate-wide sales, it has been announced that each division must increase gross margins by 8–10%

This is going to require tight coordination among personnel in Operations, Sales & Marketing, Human Resources, and Accounting

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Easy

Functional specialists already accustomed to working across functions within their divisions

One of our divisions is being sued for a Human Resources-related violation of highly complex employment laws

You must find out the cause of the violation and revise the offending policies across all product lines in the company as soon as possible

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Difficult

Human Resources personnel is closest to divisional colleagues and not well connected across divisions

A sales rep in Barcelona has detected that our largest competitor has piloted a drastic price reduction for their entry in our most important market

Industry sources say that they are about to take this strategy into all of our other markets, requiring a response from each division



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Easy

Staff can collaborate with divisional colleagues to consider new pricing, sales, and production policies

Some things to remember:

- Complete restructuring is relatively rare
- Social affinity can lead to rivalry, parochial views
- Horizontal links are harder to design than vertical
- Most organizations use both unit grouping criteria

## Functional structure's advantages:

- Economies of scale in functions
- Skill development and technical excellence
- Works best with few products

## Functional structure's disadvantages:

- Slow response to environmental changes
- Less horizontal communication
- Slower decision-making
- Less conducive to innovation
- Narrower view of organizational goals

## Divisional structure's advantages:

- Faster reaction to unstable environment
- Good coordination among functional experts
- Adaptable to differences in products or regions
- Decentralized decision-making

## Divisional structure's disadvantages:

- Fewer economies of scale (even *diseconomies*)
- Poor coordination across products or regions
- Reduced specialization
- Harder to integrate knowledge across divisions



Read the case *VNU's Strategy Derailed by Active Investors*  
by Sylvie Bergeron and Justin Brodie-Smith, INSEAD

You can find the case on Aula Global  
*[tiny.cc/orgdesign-12](https://tiny.cc/orgdesign-12)*

## Question 1

Based on the information provided by the case, what is the most likely organizational structure of VNU?

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## Question 3

What type of power (formal or informal) do investors exert on organizations, and why?



**See you on Friday!**