

# Enterprise Essentials

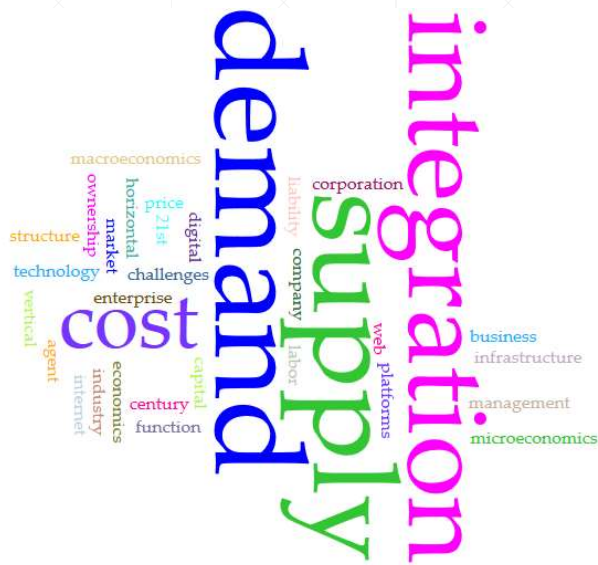
## Class # 4: Managing a business organization

EPITA, Paris | Fall 2021

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Valeriu Petrulian

# Enterprise Essentials Class 4



- Admin
- Thoughts for the day
- Final presentations & grades – Q&A

# Course Breakdown

## EPITA | Fall 2021

| Class   | Date & Time   Topics  |
|---------|---|
| Class 1 | Setting the scene:<br>The economy and the firm as an economic agent |
| Class 2 | The Business Environment: Industries and Markets                    |
| Class 3 | Enterprise Models   |
| Class 4 | Managing a business organization                                    |
| Class 5 | Final Presentations   |

### Today's reading material:

**Jonathan Gosling and Henry Mintzberg.** *The Five Minds of a Manager*. Harvard Business Review, November 2003 issue

# Enterprise Essentials

## Final Grade

| Final Composition | Grade | Class attendance and participation throughout the course | Course quiz (MCQ) | Final presentation (group or individual) |
|-------------------|-------|--|-------------------|--|
| Weight            |       | 30%  | 20%               | 50%                                      |

Presence  
Questions asked, "hands raised"  
Participation to class assignments and group discussions

A project (essay), in the form of a question to which students will answer through a carefully drafted presentation (.ppt presentation)

# Enterprise Essentials

## Final presentations & grades – Q&A

- Class 5 : **all** students shall present their subjects
  - **X** minutes per student – depending on group
  - Class will start at the precise time – students welcome before to test connectivity
- You may communicate, if you wish – by email/Teams – the chosen subjects
- Expectations OK?
- Subjects OK?
- Quiz :
  - Shall be released **Monday the 24th of January 2022, for 24h**



# Managing a business organization

Why are managers necessary?

The role(s) of the manager

Management principles and practices  
– an overview

WATCH VIDEO: <https://www.youtube.com/watch?v=gcS04BI2sbk>

# Management Introductory Thoughts

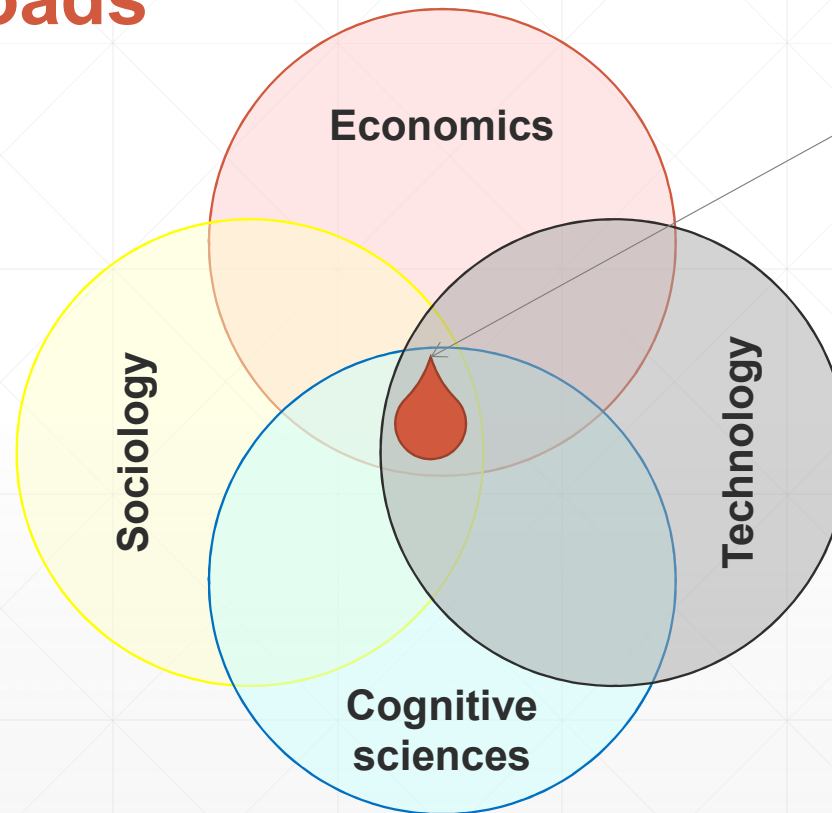


Further reading:

**Frédéric Laloux.** *Reinventing organizations*. Nelson Parker, 2014.

- 21<sup>st</sup> century global challenges, digital revolution, increased globalization and interconnectedness of the economy...
- ... contribute to the fact that management is currently at a crossroads, both as a science and as a practice
- Redefining it calls for understanding its fundamentals and its essential objectives

# Management At a crossroads



WE ARE HERE!



# Management Practices

## Class discussion



- Few years ago, Google conducted a project called Project Aristotle, in order to identify which were the ingredients leading to success of high-performance teams
- Project Aristotle has managed to study 180 Google teams, conduct 200-plus interviews, and analyze over 250 different team attributes
- Further reading:  
<https://www.nytimes.com/2016/02/28/magazine/what-google-learned-from-its-quest-to-build-the-perfect-team.html>

The results of Project Aristotle were made available publicly:

<https://rework.withgoogle.com/blog/five-keys-to-a-successful-google-team/>

Its main findings are summarized below:

1. **Psychological safety** – team members feel safe to take risks and show vulnerabilities
2. **Dependability** – the company can rely on each and every team member
3. **Structure & Clarity** – each team member has clear roles, plans, and goals
4. **Meaning** – work is important to team members
5. **Impact** – team members think their work is important and that it creates change



## Class Discussion

Based on the previous example, please discuss:

- Do these findings surprise you?
- How do you interpret such findings?
- Could these findings be applied to a wider variety of company settings?

..., and:

**If you were a manager, how would you go about “managing”?**

# Management Definitions

- **Oxford English Dictionary** – “the act of running and controlling a business or similar organization”
- **Frederick W. Taylor** – « A mental revolution »
- **Henri Fayol** – « Anticipation, organization, command, coordinate, control »
- **Peter Drucker** – « Something that deals with humans. Maximize collective efforts, make individuals more efficient, minimize individual weaknesses »
- **Henry Mintzberg** – « A process through which those who have the formal responsibility of the whole, or parts, of the organization, try to direct it or, at least, guide it in its action »

## Important distinction:

- Team management – up to 20 people
- Enterprise (or organization) management – above 20 people

# Management

## Two possible dimensions

### Strategic Management

- Long term
- Sustainability
- Durable competitive advantage
- Deals with the environment, first, then with internal resources

### Operational Management

- Short term
- Optimization of resources
- Desired outcomes (management under constraint)
- Deals with internal resources first

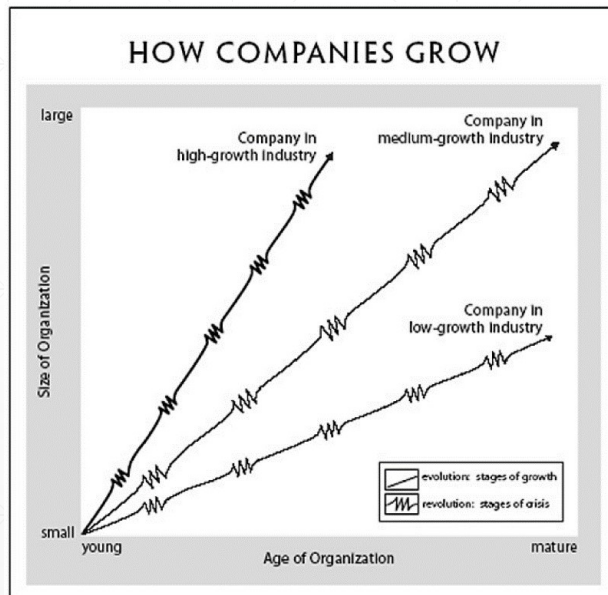
# Management

## Other dimensions (according to Kotter)

| Activity        | Manager                    | Leader               |
|-----------------|----------------------------|----------------------|
| Plan of action  | Plan and budget            | Set direction        |
| Human relations | Organize and recruit       | Cooperate and ally   |
| Execution       | Control and solve problems | Motivate and inspire |
| Results         | Produce expected outcomes  | Produce change       |

# Market size and company growth

## MARKET SIZE AND COMPANY GROWTH



Source: **Larry E. Greiner**. *Evolution and Revolution as Organizations Grow*. Harvard Business Review, May-June 1998

## GROWTH AND CRISES

- According to Larry E. Greiner, each stage of growth (which he calls « evolution ») may create situations leading to the firm facing a crisis (phenomenon which he calls « revolution »)
- Crises are dependent on 1) the stage of growth and 2) specific factors
- Greiner emphasizes the role of management in the emergence of such crises (more in Class # 4)

# Overcoming crises, from punch cards to AI

## Discussion - IBM



- 1924 - changes name to « International Business Machines » under the spur of Thomas J. Watson
- 1945 – first research lab
- 1948 – IBM SSEC – first electronic computer
- 1964 – IBM System/360 – first family of architected business computing systems
- 1981 – IBM PC
- 1997 – Deep Blue
- 2005 – PC division sold to Lenovo
- 2011 – Watson wins at Jeopardy!
- ...

# Analytical mindset

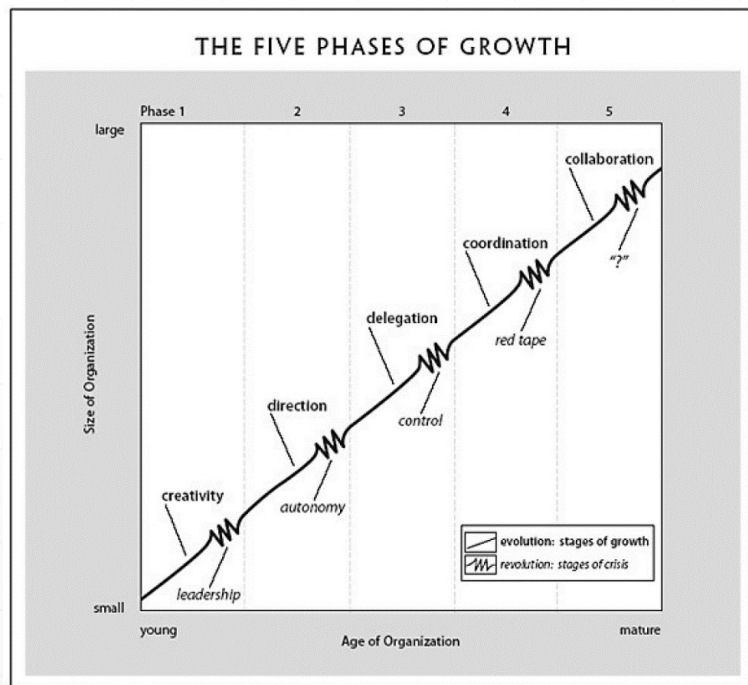
Analytical mindset is, among others, about:

- Understanding one's own organization, in the most intimate and finest details
- Decomposing work, and putting it back again:
  - Top-down: division of work, work breakdown structure
  - Bottom-up: how organization delivers upon expected outcomes
- Constantly challenging assumptions that lead to hasty conclusions



# Growth and the company journey

## The role of Management



Source: **Larry E. Greiner**. *Evolution and Revolution as Organizations Grow*. Harvard Business Review, May-June 1998

- Several disconnections may occur between stages of growth and management styles (Larry E. Greiner):
  - Creative evolution leads to leadership crisis
  - Strong leadership will become a burden leading to autonomy crisis
  - Delegation will lead to the emergence of « baronies »
  - Taking back control will increase bureaucracy and complicate management processes
  - Easing internal control procedures and encouraging increased collaboration leads to...

# A successful come-back Discussion – Apple



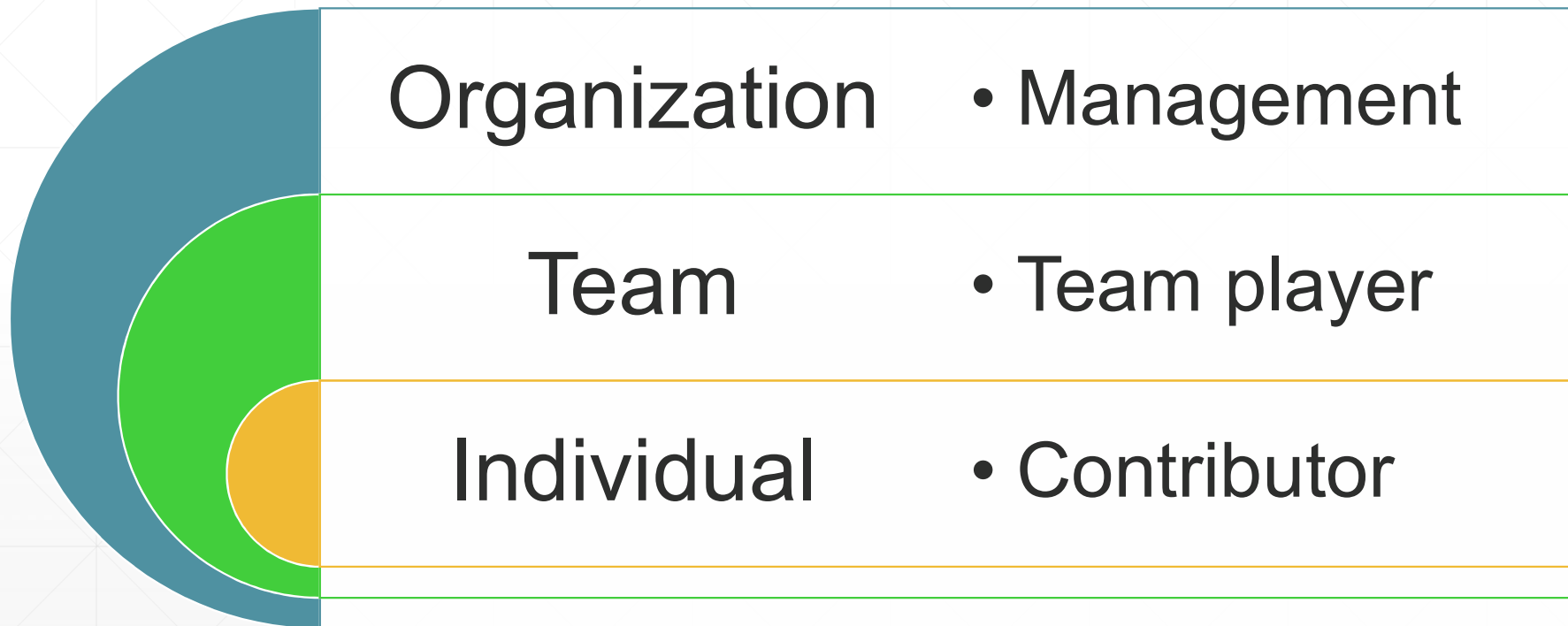
- Established in 1976
- At the beginning, computers:
  - Apple II, Macintosh, Lisa...
- First CEO and co-founder leaves company in 1985
- Come-back in 1997
- Then:
  - iPod and iTunes => Music
  - iPhone => mobile communications
  - Ipad,
  - AppleTV => Entertainment, ...

# Reflective mindset

Reflective mindset is, among others, about:

- Learning from the past (from successes as well as from mistakes)
- Knowing oneself
- Understanding biases (especially one owns biases)
  - A manager's most common biases:
    - Overconfidence
    - "Shadow of the past" bias – difficulty in questioning past decisions
- The result: management is not an individual feat but a team endeavor

## Organizational Levels



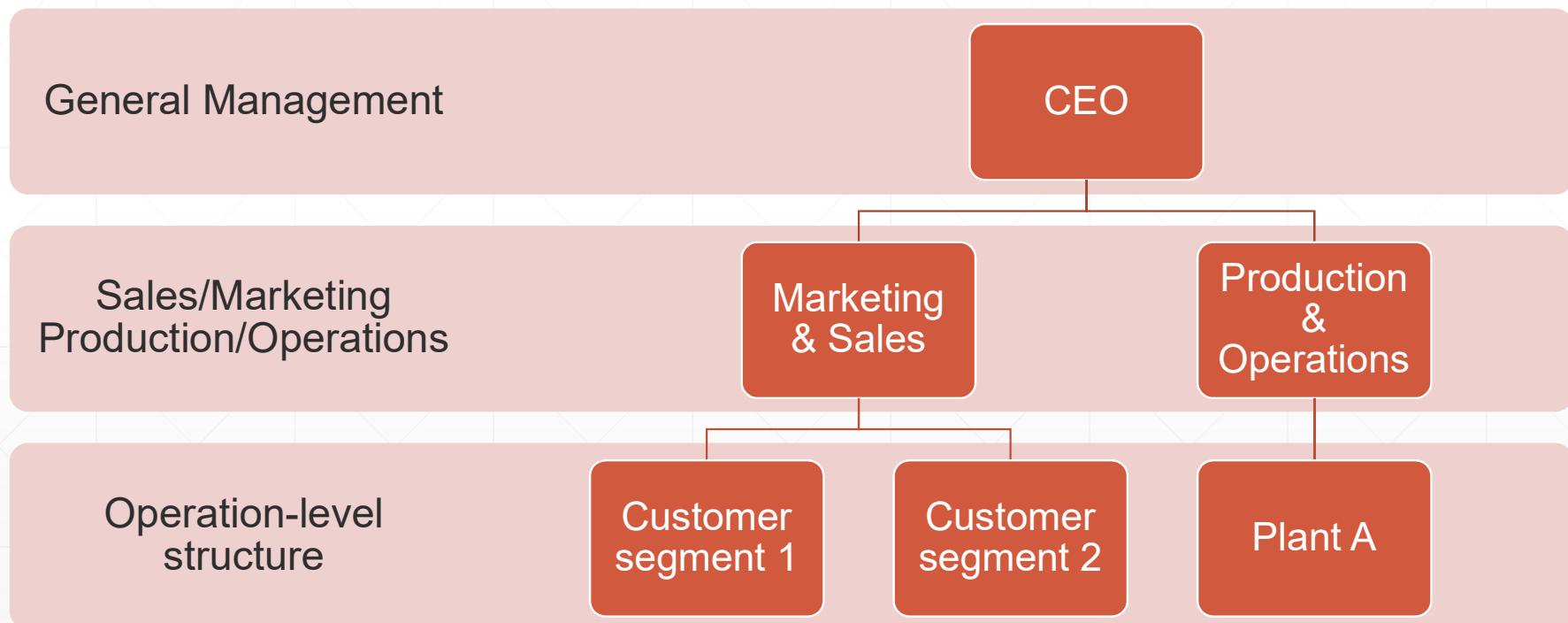
# Enterprise Organization

- In order to carry out its mission, and to achieve its objectives, a business needs to implement some form of organization, allowing its people to work together towards the common goals
- The types of organizations a business could implement vary widely, depending on the nature of the business, its country of origin, local culture and management practices
- Several organizational models, however, are being commonly used across businesses. Among these, we shall discuss the following 3 models:
  - Hierarchical organization
  - Matrix Organization
  - Organization by projects

# Hierarchical organization

- Main characteristics:
  - Vertical division of labor, i.e. separation between design & planning work, and execution
  - Span of control
  - Decomposition of work
- The 5 elements of business administration (according to Henri Fayol):
  - Plan (« anticipate the future »)
  - Organize
  - Command
  - Coordinate
  - Control

# Typical hierarchical structure



# « Real life » organization

## HIERARCHICAL VIEW

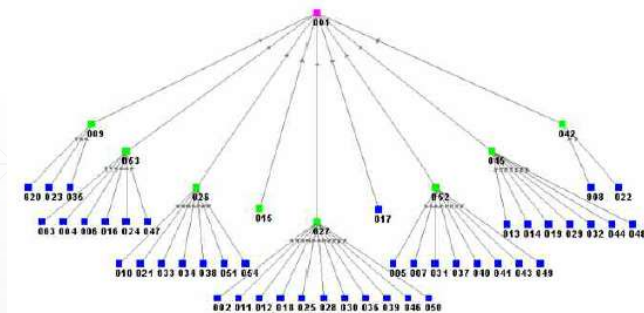


Figure 1. Hierarchy of the Traditional IT Department.

## « REAL LIFE » VIEW

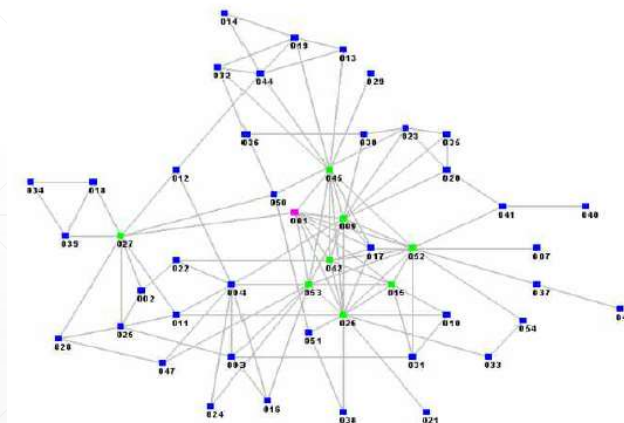
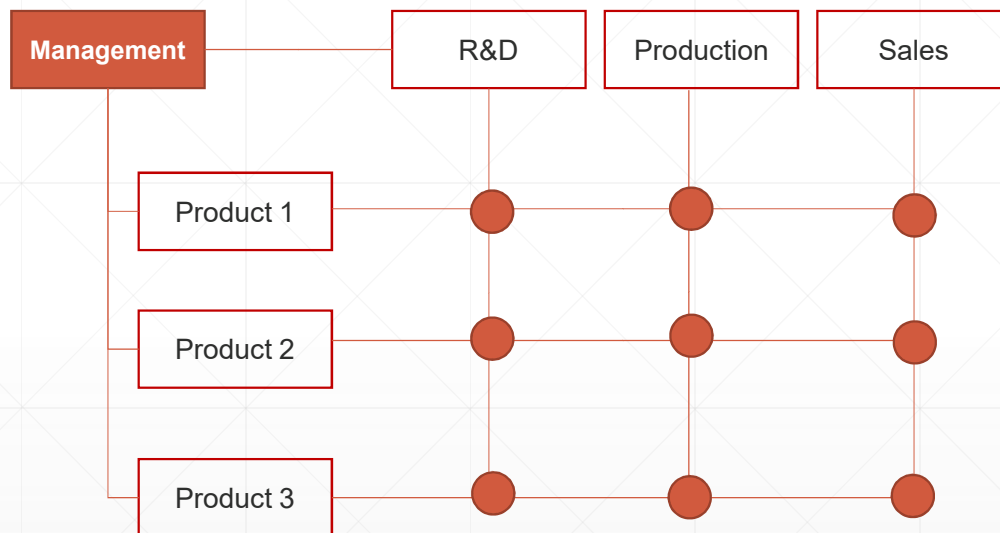


Figure 2. How Work Actually Gets Done in the IT Department.

Source: Valdis Krebs, orgnet.com. *Managing the 21st Century Organization*. 2007 • Volume XI, Number 4 • IHRIM Journal

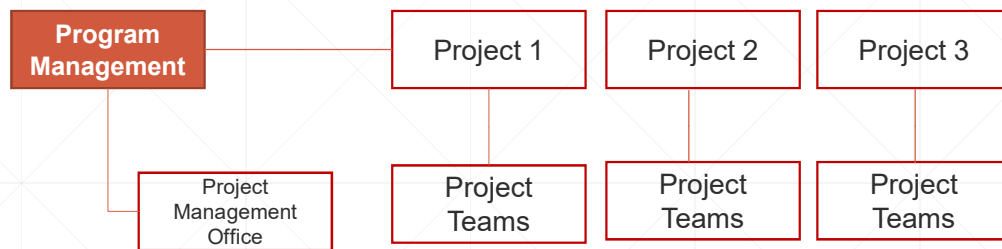


# Matrix Organization



- In between classical (hierarchical or functional) organization and pure project management
- Allows greater flexibility for company-wide initiatives related to innovation
- Due to the double reporting (dual management), the decision processes may prove to be more complex and management may become more difficult

# Organization by Projects



When several projects are to be run in parallel, a program structure is set-up in order to manage a portfolio of projects

The PMO (Project Management Office) is the central team that oversees the various projects

Phases of a project (example: IT project.  
**Note:** Each phase could be considered to be a project in its own right):

- Feasibility
- Scoping
- Design
- Development
- Integration
- Deployment

# Team Roles

My RACI Matrix

|                 | R | A | C | I |
|-----------------|---|---|---|---|
| Project phase 1 | ✓ | ✓ |   |   |
| Project phase 2 | ✓ |   |   |   |
| Project phase 3 |   |   | ✓ | ✓ |

**R** – Responsible

**A** – Accountable

**C** – Consulted

**I** - Informed

## Description

- Roles may vary, depending on the project phase
- A team member may « embrace » different roles, along the way
- RACI is the well-known Project Management role breakdown matrix, the roles definition may be adapted to fit the purpose of the project or initiative at hand

# Team Roles

## What do people actually do?

### THINKERS, INTERACTIONERS

- **Coordinator** – enables processes
- **Collaborator** – enables team work
- **Pioneer** – explores possibilities
- **Inventor** – brings new ideas
- **Observer** – analyses feasibility

### DOERS, IMPLEMENTERS

- **Executer** - executes upon the plan
- **Implementer** – overcomes obstacles
- **Finisher** – improves constantly
- **Specialist (expert)** – brings in expertise

## Team Roles (continued)

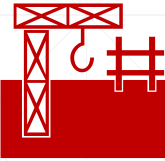
| Role within the team         | Contribution                          | Personality                     | Allowed to...                 |
|------------------------------|---------------------------------------|---------------------------------|-------------------------------|
| <b>Orientation:</b> Thinking | Brings new ideas                      | Constantly explores new domains | Get distracted easily         |
| <b>Explorer</b>              |                                       |                                 |                               |
| <b>Orientation:</b> People   | Improves decision making within group | Open, confident                 | Lack deep domain expertise    |
| <b>Coordinator</b>           |                                       |                                 |                               |
| <b>Orientation:</b> Action   | Overcomes obstacles                   | Reliable, trustworthy           | Be inflexible about deadlines |
| <b>Maker, Doer</b>           |                                       |                                 |                               |

# From Business Objectives to Individual Performance

**An objective is about defining specific, time related targets.**

Criteria for defining objectives:

- **Specific:** define precisely what shall be measured
- **Measurable:** should be possible to quantify
- **Agreed:** rather than imposed upon
- **Realistic:** targets should be attainable
- **Time-specific:** clear time limit for achieving the target



# Class Assignment

On the basis of today's reading material and the discussion thus far, please choose a known company (it may come from any type of industry) and elaborate on the following:

- The chosen company's successes, failures, and challenges
- The way how its management has overcome such challenges

Examples:

- |                             |                                    |  |
|-----------------------------|------------------------------------|--|
| 1. Porsche AG (early 1980s) | 5. Kodak (2000-2015)               | 9. Volvo (years 2000)                      |
| 2. Alcatel (2005-2015)      | 6. Blackberry (origins to present) | 10. Motorola (2000-present)                |
| 3. Yahoo (2010-2021)        | 7. Sony (in the years 2000)        | 11. Texas Instruments (origins to present) |
| 4. IBM in the 1990s .../... | 8. HP (2010-2020)                  | 12. Polaroid Corp. (origins to present)    |

# Collaborative Mindset

- Collaborative mindset is, among other things, about:
  - Managing relationships, not people
  - Network-style interaction, rather than hierarchical-style
  - Managing not « from the top » but « from within »



# Company-wide shared values

## Discussion - Bose Corporation



- Established 1964 by Dr. Amar Bose
- Beyond electrical engineering and electronics:
  - Psychoacoustics, psychophysics
- 1968 – First Bose speaker system: the « 901 Direct/Reflecting ».
- 1972 – professional sound engineers
- 1979 – car audio systems
- 1989 – headsets, ...
- **Obsessed, since day 1, with sound quality**

# Action mindset

- Action mindset is both about entrepreneurship and change, it encompasses:
  - The vision, purposefulness and energy to set-up the business organization
  - The drive to take it to its first successes
  - The wisdom to understand outside changes
  - The courage to instill internal change, in continuity

# Change Management

|                              | Mindful<br>towards<br>preserving-<br>ness            | Mindful<br>towards<br>novelty |
|------------------------------|--|-------------------------------|
| Open, client-<br>oriented    | Process<br>management (4)                            | Management by<br>projects (3) |
| Closed, product-<br>oriented | Structure<br>management (1)<br><b>Starting point</b> | Project<br>management (2)     |

**Luc de Brabandère** (*Le management des idées*. Dunod, 1998) proposes the following evolution path:

- (1) – self centered organization, routine oriented where management preserves structures
- (2) – implement projects in order to innovate, in selected, well defined areas
- (3) – the gradual realization of client (external) needs may lead to larger scale projects, to the detriment of existing structures
- (4) – to evolve, gradually, to a continuous client-centered organization, all while preserving the survival of the company

# The rise and fall of a global brand

## Discussion – Nokia



- Established 1865 – pulp paper
- 1960 – electronics
- 1970 – television sets
- 1992 – mobile telephony
- 2006 – world leader in the mobile phone market
- 2011 – “burning platform” speech
- 2013 – acquisition by Microsoft
- 2014 – Microsoft discontinues the Nokia product brand in mobile telephony

## The five minds of a manager\*

Analytical

Collaborative

Action

Reflective

Worldly

\* Jonathan Gosling, Henry Mintzberg. *The Five Minds of a Manager*. Harvard Business Review (November 2003)

# Inter-disciplinarity

## From I-shaped, to T-shaped, to $\pi$ -shaped people

### I-shaped people

- Characterized by a single specialty or area of expertise. They demonstrate limited general knowledge of different disciplines and prefer to work in one single job type

### T-shaped people

- Have vertical (specialized) skills but also horizontal (general) knowledge in other disciplines (according to IDEO's former Chief Executive Tim Brown).

### $\pi$ -shaped people

- Multifaceted (a term coined by Ashley Friedlein, CEO and co-founder of Econsultancy). They have broad mastery of general knowledge but also deep functional or domain expertise in two or more knowledge areas. Particularly adapted to organizations that have limited people resources.

# Management Practices

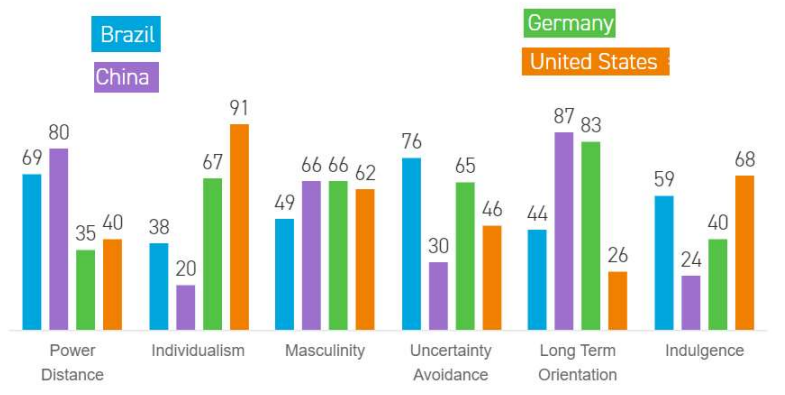
## The Cultural Dimension (Geert Hofstede's Model)

**Culture has a central role in all management practices. Management is rooted in local culture**

- One of the first and comprehensive cross-cultural models was established by **Geert Hofstede**. It is known as the « **Cultural Dimensions Theory** »
- Hofstede's model comprised initially 4 dimensions:
  - **Power Distance** – attitude towards authority
  - **Individualism vs Collectivism** – integration of individuals in social groups
  - **Uncertainty Avoidance** – attitude towards the unknown
  - **Masculinity vs Femininity** – comparison of preferences towards social achievement and material rewards versus modesty, cooperation and quality of life
- Two additional dimensions were added later:
  - **Long term vs short term orientation** – comparison of attitudes towards the past (traditions) versus the future
  - **Indulgence vs. restraint** – degree of freedom of social norms towards the fulfilment of human desires

# Management Practices

## An illustration of the Cultural Dimension Theory



Hofstede's model illustrated for 6 countries

- Power distance is typically high in Latin America, Asia, parts of Africa and the Middle East. Lower scores are found in Anglo-Saxon countries
- Individualism tends to be high in the Western world
- Masculinity index is extremely low in Nordic countries
- High long-term orientation scores tend to be found in Asia ()

[https://en.wikipedia.org/wiki/Hofstede%27s\\_cultural\\_dimensions\\_theory#/media/File:Hofstede\\_4\\_countries\\_6\\_dimensions.png](https://en.wikipedia.org/wiki/Hofstede%27s_cultural_dimensions_theory#/media/File:Hofstede_4_countries_6_dimensions.png)

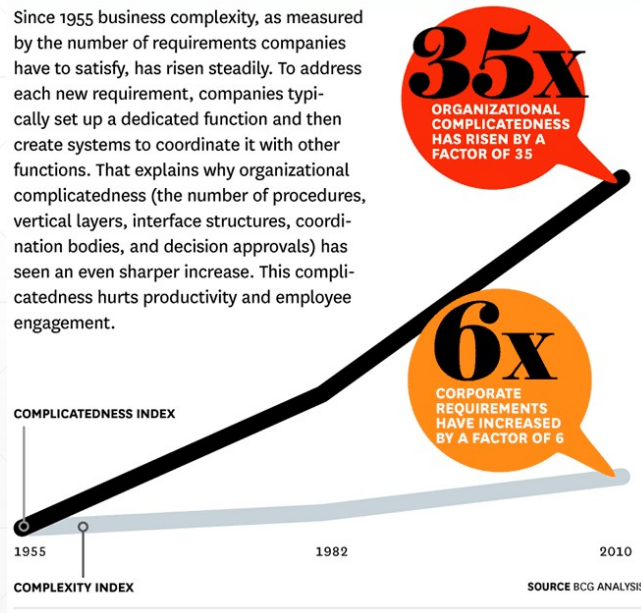


# Management Practices

## Managing Complexity

### The Cost of Inept Responses to Complexity

Since 1955 business complexity, as measured by the number of requirements companies have to satisfy, has risen steadily. To address each new requirement, companies typically set up a dedicated function and then create systems to coordinate it with other functions. That explains why organizational complicatedness (the number of procedures, vertical layers, interface structures, coordination bodies, and decision approvals) has seen an even sharper increase. This complicatedness hurts productivity and employee engagement.



[https://hbr.org/resources/images/article\\_assets/hbr/1109/R1109D\\_B\\_lg.gif](https://hbr.org/resources/images/article_assets/hbr/1109/R1109D_B_lg.gif)

- According to a BCG study, the **complexity** of the modern corporate world has been multiplied over the last 25 years by a **factor of 6**
- Surprisingly enough, organizational **complicatedness** has risen by a **factor of 35**
- Further reading:
  - <https://hbr.org/2011/09/smart-rules-six-ways-to-get-people-to-solve-problems-without-you>

# Management Practices

## Heading towards simplicity [1/3] (according to BCG's Yves Morieux)

- **BCG** consultant **Yves Morieux** (with co-author **Peter Tollman**) have analyzed the organizational responses towards corporate complexity.
- They propose 6 rules for companies who wish to simplify their organizations all while answering to the increasing weight of rules and regulations on company's management structures
- Rules 1 & 2:
  1. **Strive to understand what co-workers do**
  2. **Reinforce the people who are integrators**
    - Explanation: instead of multiplying intermediate organizations, privilege and empower individuals to become coordinators

## Management Practices

### Heading towards simplicity [2/3] (according to BCG's Yves Morieux)

Rules 3 & 4:

#### **3. Expand the amount of power available**

- Explanation: increase responsibility levels, at the base of the hierarchy, in order to give people incentives to step-up and go beyond organizational silos

#### **4. Increase the need for reciprocity**

- Explanation: eliminate internal monopolies in order to spur the need for inter-department cooperation. This may be achieved by increasing the probability for reciprocal action

## Management Practices

### Heading towards simplicity [3/3] (according to BCG's Yves Morieux)

Rules 5 & 6:

#### **5. Make employees feel the “shadow of the future”**

- Explanation: long-term projects (above 1 year) have a tendency to de-responsibilize people. Future has to be brought closer

#### **6. Sanction uncooperative behavior**

- Explanation: appraise performance at an organizational level and place emphasis on inter-team cooperation

Further reading:

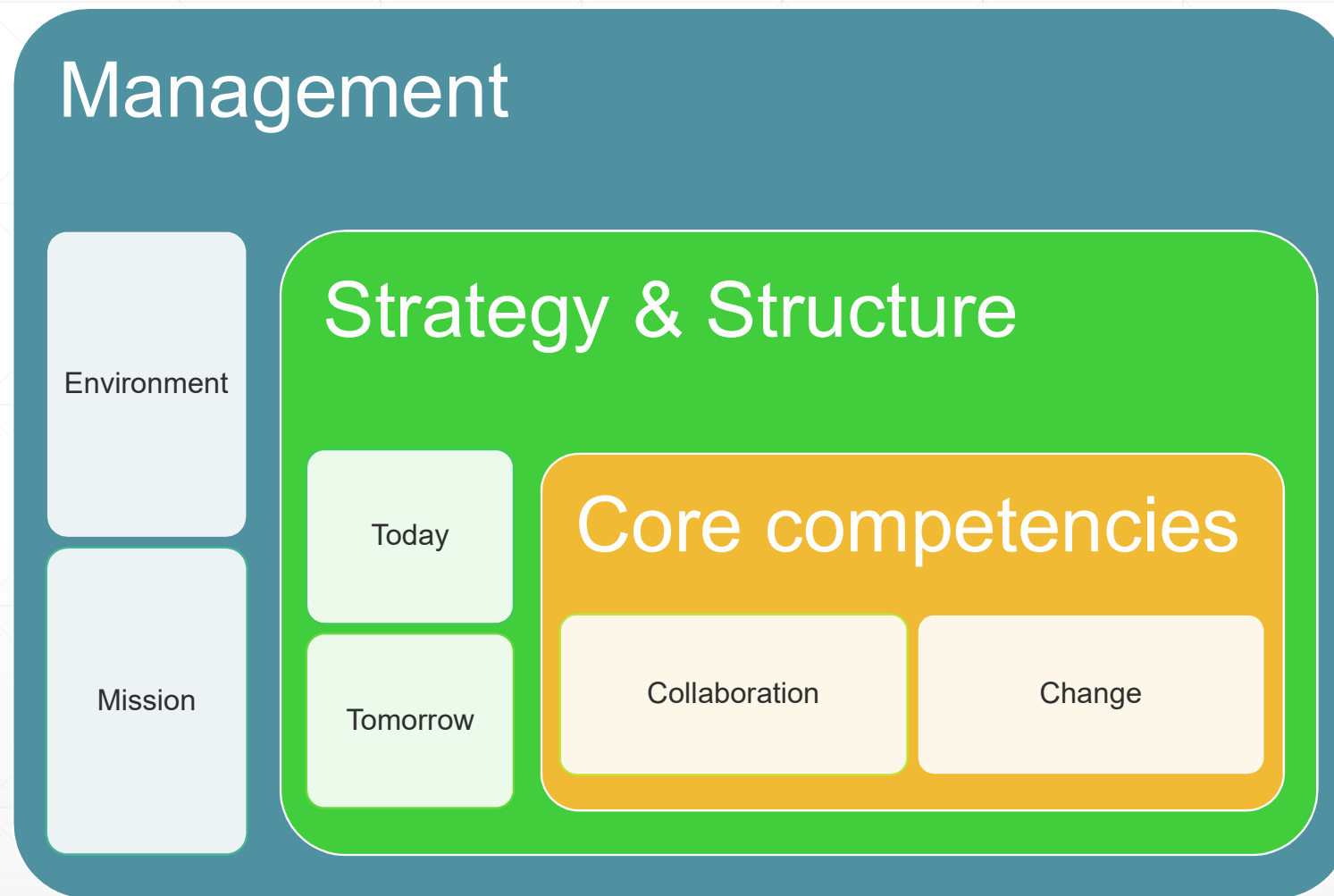
*Six simple rules.* Yves Morieux, Peter Tollman. The Boston Consulting Group. 2014

# Management Principles

## Strategy, Structure, Profits and Purpose

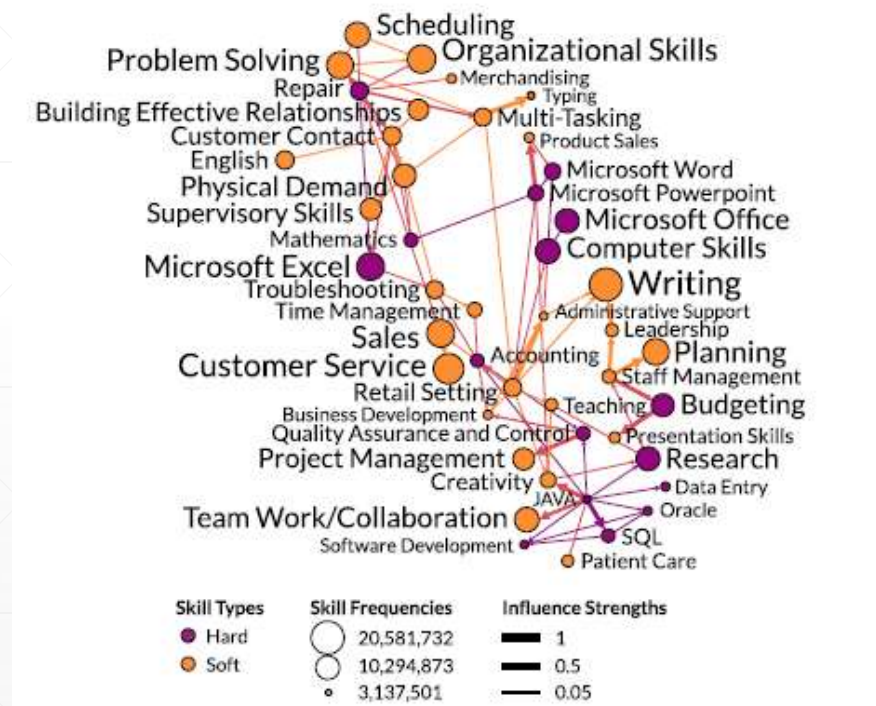
- According to Peter Drucker, profits are NOT the main purpose of a business
- A business cannot, therefore, be explained in terms of profits
  - Profitability is not the purpose of but a limiting factor on business enterprise and business activity. The first test of any business is not the maximization of profit but the achievement of sufficient profit to cover the risks of economic activity and thus to avoid loss
- The true purpose of any business is **to satisfy a need (or, serve a customer) and thereby to fulfill efficiently the business organization's mission**

# Enterprise Essentials Course Wrap-Up



*“In an increasingly data-driven economy, the demand for “soft” social skills, like teamwork and communication, increase with greater demand for “hard” technical skills and tools”*

**Börner & al. 12630–12637 | PNAS | December 11, 2018 | vol. 115 | no. 50**



**Chart source:** Börner & al. 12630–12637 | PNAS | December 11, 2018 | vol. 115 | no. 50



# Enterprise Essentials Course Wrap-Up

## The top 5 soft skills companies need most in 2019

Based on research from LinkedIn Learning

1. Creativity

2. Persuasion

3. Collaboration

4. Adaptability

5. Time Management

Source: LinkedIn

## The top 5 hard skills companies need most in 2019

Based on research from LinkedIn Learning

1. Cloud Computing

2. Artificial Intelligence

3. Analytical Reasoning

4. People Management

5. UX Design

Source: LinkedIn

**Source:** LinkedIn <https://learning.linkedin.com/blog/learning-thought-leadership/most-in-demand-skills-2020>

LinkedIn Learning

## The Skills Companies Need Most in 2020



### Top 5 Soft Skills

- 1 Creativity -
- 2 Persuasion -
- 3 Collaboration -
- 4 Adaptability -
- 5 Emotional intelligence new



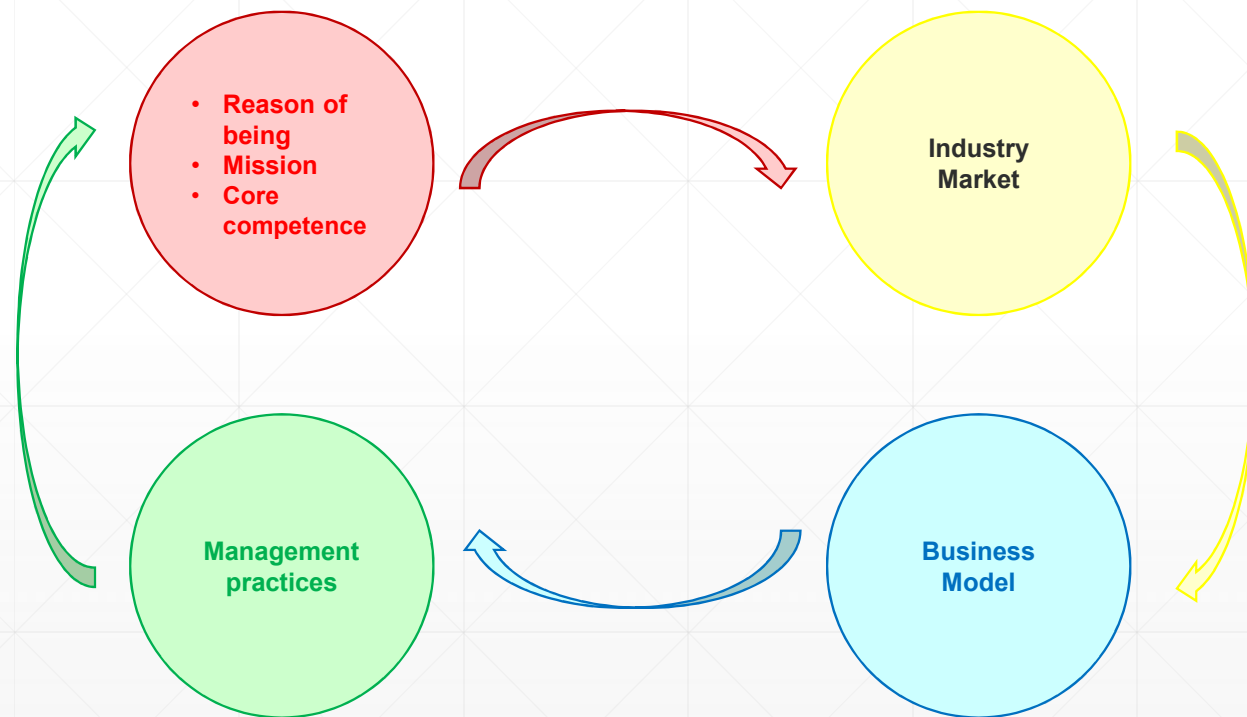
### Top 10 Hard Skills

- 1 Blockchain new
- 2 Cloud computing -1
- 3 Analytical reasoning -
- 4 Artificial intelligence -2
- 5 UX design -
- 6 Business analysis +10
- 7 Affiliate marketing new
- 8 Sales -
- 9 Scientific computing +3
- 10 Video production -3

- means that it remains at the same spot as last year.



# Enterprise Essentials Course Wrap-Up



# Thank You!

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Valeriu Petrulian