

Organizational Design & Strategic Critique of KPMG & Sabre

A "DESIGNING WORK ORGANIZATIONS"
END-TERM PROJECT

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The "Glocal" Challenge: Balancing Two Opposing Forces

Core Conflict:

Need for Global Integration: Brand consistency, quality standards, efficiency.

Need for Local Responsiveness: Market nuance, cultural fit, legal compliance.

KPMG's Solution: A Transnational Structure

Transaction Cost Theory (TCT)

Resource Dependence Theory (RDT)

Differentiation and Integration

Core Competency

Global Strategy Typologies

How It Works: A "Federated" Transnational Model

Centralized Core (KPMG International):

Role: Sets Global Standards, shares IP & Technology.

Concept: This is the primary Integration Mechanism.

Benefit (TCT): Reduces Transaction Costs by building one global tech platform instead of 140.

Decentralized Network (Local Member Firms):

Role: Legally independent, local management autonomy, all client-facing work

Concept: Manages Resource Dependence on local regulators.

Benefit: Achieves Decentralization for high local responsiveness

The "Glue" (Cross-Jurisdictional Teams):

Role: Serve large, global clients seamlessly.

Concept: A high-level Integration Mechanism (Teams/Task Forces).

Structure Follows Strategy

KPMG's Core Strategy:

Differentiation (Based on Trust, Expertise, and Technology)

How Structure Enables This Strategy:

Service Integration (Audit + Tax + Advisory)

Concept: Core Competency (coordinating specialized resources).

Competitive Stance (Risk & Trust-Centric):

Concept: Functional Strategy (differentiation via reliability).

Execution Model ("KPMG Powered Enterprise" Platform):

Concept: Value Creation Cycle (differentiates through tech-driven efficiency).

Market Focus (Global Consistency + Local Customization)

Concept: Transnational Structure (the only model that achieves both).

Critique: A Complex Balance Under Financial Pressure

Strengths (Pros):

- **Achieves "Glocal" Synergy:** Balances local responsiveness with global efficiency.
- **High Resilience (RDT):** Federated model is flexible and manages local regulatory risk.
- **Hard-to-Imitate:** This complex design is a core competitive advantage.

Limitations (Risks):

- **High Transaction Costs:** Governance and coordination between member firms is complex and expensive.
- **Decision Latency:** Can be slower to move and adapt than a single, centralized rival.
- **Standardization vs. Flexibility:** Constant tension between global rules and local market needs.

Findings, Change Models & Recommendations

Key Findings:

- KPMG's transnational design effectively blends global efficiency and local relevance.
- Technology and data analytics are the core integration mechanisms holding the network together.
- The federated governance model is flexible but creates high coordination costs.

Change & Adaptation:

- KPMG must balance Masterful Change (top-down tech rollouts) with Self-Assembly and Emergent Change (bottom-up innovation from local firms).

Recommendations:

1. Simplify inter-member governance to reduce coordination costs.
2. Strengthen local innovation autonomy; create systems to scale "emergent" ideas globally.

Final Conclusion:

KPMG's core challenge is balancing its legacy of Trust with the market's demand for Agility.

ORGANIZATIONAL DESIGN & STRATEGIC CRITIQUE OF

Sabre®



OBJECTIVE & INTRODUCTION

End Term Project Report | Course : Designing Work Organisations

PROJECT OBJECTIVE :

To critique Sabre's organizational design using course frameworks.

- A leading **B2B travel technology** company (the "plumbing" of the travel industry).
- Serves airlines, hotels, and agencies in **160+ countries**.
- Operates critical platforms: **GDS** (Global Distribution System) & **Sabre Sonic** (Airline PSS).

CORE CHALLENGE

Sabre's Core Challenge: Reliability vs. Agility

Core Conflict

- *Need for Global Integration & Reliability* – A single, massive platform that cannot fail. (Mechanistic, SOP-driven)
- *Need for Local Responsiveness & Innovation* – Must serve diverse customer needs (airlines, hotels) and innovate with AI. (Organic, Agile)

Key Course Concepts for Analysis

- *Transaction Cost Theory (TCT)* – Why build vs. buy? (e.g., AWS partnership)
- *Resource Dependence Theory (RDT)* – Managing reliance on airlines and tech partners.
- *Differentiation vs. Integration* – Balancing specialized products (Diff.) with a single platform (Int.).
- *Core Competency* – What is Sabre uniquely good at?



HYBRID DESIGN

A Hybrid Design: Mechanistic Core, Organic Edges

The Mechanistic Core (Centralized)	The Organic Edges (Decentralized)	Key Alliances (Managing Dependencies)
What Core Ops, GDS Platform, Airline PSS (Sabre Sonic).	What Regional Sales, Innovation Teams (AI/Mosaic), Hospitality (SynXis).	What Partnership with AWS, long-term airline contracts.
Why Needs 100% reliability. Uses SOPs and Mechanistic controls.	Why Needs to be agile and responsive. Uses Mutual Adjustment and Organic teams.	Why Resource Dependence Theory. Reduces capital cost (TCT) and manages dependence on suppliers and customers.

STRUCTURE & STRATEGY

Sabre's Core Strategy: **Differentiation** (via Platform Reliability, Data, and AI-driven Retailing)



How structure enables this strategy:

CORE COMPETENCY

The integration of the entire travel ecosystem (airlines, hotels, agencies) on one platform.

EXECUTION MODEL

The Dual Operating Model (Mechanistic + Organic) allows them to be reliable and innovative.

COMPETITIVE STANCE

Differentiation through data analytics and AI (e.g., Sabre Mosaic) built on top of their reliable core.

GLOBAL MODEL

A Transnational Strategy—they offer a global platform but must provide regional customization.

STRENGTHS VS. RISKS

Critique: A Complex Balance Under Financial Pressure

Strengths

- *Cost Efficiency (TCT)* : Outsourcing infrastructure (AWS) is cheaper than owning data centers.
- *Resilience (RDT)* : Strong partnerships with major airlines and tech vendors create a stable ecosystem.
- *Deep Expertise* : Specialized, differentiated product divisions (e.g., Hospitality vs. Airline IT).

Limitations

- *Poor Integration* : Differentiation is stronger than Integration. The specialized divisions (GDS, Hospitality) are in silos, leading to slow coordination.
- *High Dependence* : Over reliance on a few large airlines or tech vendors (like AWS) creates vendor lock-in.
- *Financial Pressure* : High corporate debt forces directive, cost-cutting change, which can stifle the emergent, innovative change they need to compete.

FINDINGS RECOMMENDATIONS

Findings, Change Models & Recommendations :

Key Findings	Key Recommendations
<ul style="list-style-type: none">• Sabre's hybrid structure is the right idea for its strategy, but...• Integration mechanisms are underdeveloped, leading to silos and slow coordination.• Financial pressure forces a conflicting Directive Change (cost-cutting) model on top of a needed Emergent Change (innovation) model.	<ul style="list-style-type: none">• Institutionalize a Global Product Integration Office: A formal, high-level "team" or "department" (an Integration Mechanism) to force coordination across the product silos.• Maintain the Dual Operating Logic: Protect the innovation teams (organic) from the SOPs of the core (mechanistic).• Decentralize Regional Authority: Empower local sales teams to customize pricing and solutions.