

END-TERM PROJECT REPORT

Course: Designing Work Organizations

Topic: Organizational Design & Strategic Critique of KPMG & Sabre

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1. Executive Summary

This report analyses organizational design and strategic orientation through key frameworks from the Designing Work Organizations course, utilizing **KPMG** and **Sabre Corporation** as primary case studies.

The study employs concepts such as **Transaction Cost Theory**, **Resource Dependence Theory**, **Core Competency**, and **Differentiation–Integration frameworks** to evaluate how these complex global organizations align structure with strategy.

The analysis explores two distinct business models:

1. **KPMG:** The report examines how the firm's multi-domestic, transnational structure is designed to support its differentiation strategy, maintain global compliance, and build client trust. It also critiques the inherent governance complexities of this model and benchmarks it against rivals like Deloitte, PwC, and EY.
2. **Sabre:** The study investigates the travel-technology leader's hybrid "platform-plus-product" model (GDS, Sabre Sonic PSS). It highlights how this structure, while driving differentiation, also generates significant coordination and integration challenges, particularly in response to financial leverage and rapid technological disruption.

By evaluating both a professional services partnership (KPMG) and a high-technology platform (Sabre), this report illustrates how different organizational designs are leveraged to manage resource dependencies, global complexity, and strategic alignment.

2. Introduction

KPMG is one of the world's leading professional services organizations, offering Audit, Tax, and Advisory services across more than 140 countries. The firm operates through a network of legally independent member firms that collaborate under KPMG International Limited. This project examines KPMG's organizational design from a theoretical lens, connecting its operational model with course concepts such as Transaction Cost Theory, Resource Dependence Theory, Differentiation–Integration, and global strategy typologies. The primary objective is to critique the effectiveness of KPMG's "glocal" model—balancing global integration with local responsiveness.

3. Theoretical Framework

Key frameworks and concepts from the course relevant to this analysis include:

- **Transaction Cost Theory:** Explains how organizations minimize the cost of coordination and exchange by internalizing critical activities.

- **Resource Dependence Theory:** Highlights how firms manage external dependencies through alliances, mergers, or network structures.
- **Differentiation and Integration:** Balancing specialization with coordination for effective organizational performance.
- **Core Competency:** Developing unique capabilities that offer a sustainable competitive advantage.
- **Global Strategy Typologies:** Differentiates between multi-domestic, international, global, and transnational structures.
- KPMG's design exemplifies the transnational model—achieving both local responsiveness and global standardization.

4. Company Overview

KPMG operates under a federated structure of independent member firms affiliated with KPMG International. The firm's service lines include:

- **Audit:** Assurance and financial statement audits
- **Tax:** Corporate, indirect, and international taxation
- **Advisory:** Management consulting, deal advisory, and risk consulting

KPMG's strategic vision focuses on being a trusted partner that leverages technology, governance, and deep domain expertise to deliver integrated solutions globally.

5. Organizational Structure and Design

Design Element	Conceptual Link	Strategic Benefit	G-Local Mechanism
Legal Independence of Member Firms	Resource Dependence Theory – KPMG reduces dependency on local regulators by forming autonomous entities.	Enables compliance and trust in diverse legal regimes.	Builds legitimacy while maintaining autonomy to adapt to local markets.
Centralized Global Standards	Integration Mechanisms – Global SOPs and control systems ensure cohesion.	Maintains brand consistency and audit quality worldwide.	"Balances "integration" with local "differentiation," supporting a transnational model."
Shared Global Resources & IP	Transaction Cost Theory – Sharing proprietary tech/IP reduces development cost and coordination inefficiency.	Accelerates service innovation and ensures cost efficiency.	Disseminates best practices globally while enabling local agility.
Local Management Autonomy	Decentralization – empowers decision-making closer to clients (organic structure).	Increases cultural fit and responsiveness to market nuances.	Aligns with the multi-domestic principle of high local responsiveness.
Cross-Jurisdictional Teaming	Integration Mechanisms Liaison roles, cross-functional teams	Facilitates seamless global collaboration.	Enables "transnational" coordination for complex client mandates.

Critique:

KPMG effectively balances differentiation and integration, using a hybrid transnational structure—more adaptive than a pure global model. However, the complex governance among

member firms may increase transaction costs and decision latency, especially in regulatory disputes or shared-client engagements.

6. Strategy Alignment with Course Concepts

Strategic Dimension	KPMG Approach	Course Concept
Service Integration	Deep multidisciplinary services (Audit + Tax + Advisory).	Core Competency – Coordination of specialized resources to create value.
Execution Model	KPMG Powered Enterprise – pre-built frameworks for transformation.	"Value Creation Cycle – Enhances speed, reduces uncertainty, and differentiates through efficiency."
Competitive Stance	Risk management and trust-centric positioning.	Functional Strategy – Differentiation via reliability and ethical compliance.
Talent Model	"Data-driven, tech-enabled professionals."	Functional Strategy – Capability development as a source of sustainable advantage.
Market Focus	Global consistency + local customization.	Global Strategy Typology – Transnational structure integrating responsiveness with global efficiency.

7. Strategic Evaluation Based on Theories

Theoretical Lens	Application to KPMG	Strengths	Limitations / Risks
Transaction Cost Theory	Internal IP-sharing and alliances lower coordination cost across markets.	Efficient scale-up and uniform technology stack.	Complexity in inter-member contracting and compliance may raise hidden transaction costs.
Resource Dependence Theory	"Alliances, networks, and minority ownerships (as seen in joint client delivery)."	Builds resilience to resource constraints.	Overdependence on global frameworks may limit local innovation.
Differentiation–Integration Balance	Seamless cross-border service delivery and autonomy at local level.	Achieves “glocal” synergy.	Conflicts in standardization vs. local flexibility.
Core Competency Framework	Combines risk management with AI-driven analytics.	Hard-to-imitate hybrid of trust and technology.	"Rivals (e.g., Deloitte, EY) adopting similar models may erode distinctiveness."

8. Change and Adaptation Perspective

Approach Type	How KPMG Applies It	Evaluation
Self-Assembly Change	"Local firms adapt tools (e.g., Powered Enterprise software) to their market."	Promotes ownership and innovation.
Masterful Change	Global leadership dictates large-scale technology rollouts.	Ensures coherence but risks local pushback.

Approach Type	How KPMG Applies It	Evaluation
Emergent Change	Encourages bottom-up development of niche digital services.	"Aligns with adaptive, open-system philosophy."

9. Key Findings and Recommendations

Findings:

- KPMG’s transnational design effectively blends global efficiency with local relevance.
- Integration of Audit, Tax, and Advisory functions enhances holistic client solutions.
- Technology and data analytics are core differentiators.
- Federated governance offers flexibility but adds complexity.

Recommendations:

- Simplify inter-member governance to reduce coordination costs.
- Strengthen local innovation autonomy to avoid over-reliance on global frameworks.
- Invest further in emergent change models to foster adaptive learning.
- Enhance transparency across member firms to improve agility and collaboration.

10. Executive Summary

This report analyses Sabre Corporation’s organizational design and strategic orientation through frameworks and theories covered in the Designing Work Organizations course. Sabre—a global leader in travel-technology platforms—operates large-scale systems such as its Global Distribution System (GDS), SabreSonic PSS, and SynXis CRS. Using frameworks such as Transaction Cost Theory, Resource Dependence Theory, Differentiation–Integration, Core Competency, and global strategy typologies, this study evaluates how Sabre aligns structure with strategy while responding to financial and technological disruption. The critique highlights that Sabre’s hybrid “platform-plus-product” model drives differentiation but also generates coordination and integration challenges under high leverage and global complexity.

11. Introduction

Sabre Corporation is a leading travel-technology and software provider headquartered in Southlake, Texas, serving airlines, hotels, and travel agencies across 160+ countries. It originated as American Airlines’ reservation system and evolved into a B2B platform enabling global travel commerce. This project examines Sabre’s organizational design through the lens of course frameworks—particularly Transaction Cost Theory, Resource Dependence, Differentiation–Integration, and transnational strategy typologies—to assess whether Sabre’s current design supports its strategic intent of enabling “connected, intelligent travel.”

12. Theoretical Framework

Framework / Theory	Concept Overview	Relevance to Sabre
Transaction Cost Theory	Organizations internalize activities to minimize coordination and uncertainty costs.	Explains Sabre’s choice to retain control of core GDS and PSS platforms while outsourcing peripheral tech functions.
Resource Dependence Theory	Firms manage external dependencies through alliances or diversification.	"Sabre forms partnerships with airlines, OTAs, and cloud providers to manage dependence on distribution channels."

Framework / Theory	Concept Overview	Relevance to Sabre
Differentiation–Integration Framework	Balances specialization with coordination across units.	Sabre’s dual focus on platform reliability and product innovation requires tight integration mechanisms.
Core Competency Framework	Sustainable advantage arises from unique capabilities and knowledge bases.	"Proprietary algorithms, data architecture, and customer relationships form Sabre’s enduring competencies."
Global Strategy Typologies	"Distinguishes global, multi-domestic, international, and transnational models."	Sabre’s structure reflects a transnational model—global technology standards with regionally adapted solutions.

13. Company Overview

Sabre Corporation delivers software and data-driven solutions across three major segments:

- **Travel Solutions (GDS + Airline IT):** airline reservations, retailing, and NDC-based distribution.
- **Hospitality Solutions (SynXis):** cloud-based CRS, PMS, and analytics for hotels.
- **Technology Infrastructure:** hosting and data platforms (AWS migration).

Sabre’s mission is “to connect people with the world’s travel possibilities” by offering integrated systems that link airlines, agencies, and hospitality partners. Recent restructuring and a potential divestiture of SynXis highlight Sabre’s attempt to refocus on core competencies and deleverage amid industry transformation.

14. Organizational Structure and Design

Design Element	Conceptual Link	Strategic Benefit
Platform-based Divisions (GDS / Airline IT / Hospitality)	Differentiation: Product specialization by market.	"Focuses expertise, leverages domain knowledge for reliability."
Global Product Integration Office (Proposed)	Integration Mechanisms (Mintzberg)	"Facilitates coordination across product teams, ensuring seamless API and release management."
Functional Centralization in Core Ops	Mechanistic Structure / SOPs	Ensures service reliability and compliance for mission-critical systems.
Decentralized Regional Sales and Implementation	Organic Structure / Mutual Adjustment	Improves responsiveness to airlines’ and hotels’ local market needs.
"Alliances with Tech Vendors (e.g., AWS)"	Resource Dependence Theory	Reduces capital intensity while maintaining scalability.
Cross-functional Innovation Teams (Mosaic / AI)	"Integration Mechanisms – Liaison Roles, Teams"	Enhances agility and knowledge sharing for emerging products.

Critique: Sabre’s hybrid mechanistic–organic structure fits its dual priorities of reliability and innovation. However, coordination among platform teams remains complex; integration

mechanisms are underdeveloped, leading to duplicated development efforts and slow response to regional customization needs.

15. Strategy Alignment with Course Concepts

Strategic Dimension	Sabre's Approach	Course Concept Alignment
Core Service Integration	"Unified travel-commerce ecosystem linking airlines, hotels, and agencies."	Core Competency & Value Chain Integration
Execution Model	"Dual operating model—mechanistic for operations, organic for innovation."	Design Choice: SOP vs. Mutual Adjustment
Competitive Stance	"Differentiation through reliability, data, and retailing AI."	Functional Strategy – Differentiation
Financial Structure	Debt reduction via portfolio rationalization (possible SynXis sale).	Transaction Cost Theory / Resource Dependence
Global Presence	Global products with regional customization.	Transnational Strategy Typology

16. Strategic Evaluation Based on Theories

Theoretical Lens	Application to Sabre	Strengths	Limitations / Risks
Transaction Cost Theory	Retains core tech in-house; outsources infrastructure hosting.	Cost efficiency; control over IP.	Risk of over-reliance on partners; vendor lock-in.
Resource Dependence Theory	Builds partnerships with airlines and cloud vendors to secure access to distribution networks.	Enhances resilience and data exchange.	High dependence on a few large carriers or tech suppliers.
Differentiation–Integration Balance	Product specialization balanced with integration teams.	Focused expertise and adaptability.	Coordination overhead; slower decision-making.
Core Competency Framework	AI-driven retailing and real-time offer management.	Hard-to-imitate digital capability.	"Competitors (Amadeus, Travelport) closing gap."
Change Management Approaches	Mix of directive cost-cutting and emergent innovation initiatives.	Financial discipline with innovation continuity.	Cultural resistance to dual priorities.

17. Change and Adaptation Perspective

Approach Type	Sabre Application	Evaluation
Directive Change	Portfolio restructuring and cost optimization.	Ensures financial stability but may reduce innovation morale.
Emergent Change	Grass-roots innovation teams for AI and retailing.	Encourages adaptability; supports organic learning.

Approach Type	Sabre Application	Evaluation
Masterful Change	Global leadership alignment through “One Sabre” program.	"Builds shared vision, though execution speed remains slow."
Self-Assembly Change	Regional units customizing offers and pricing tools.	Promotes local ownership; fits transnational design.

18. Key Findings and Recommendations

Findings:

- Sabre’s transnational hybrid structure aligns well with its technology-platform strategy.
- Integration mechanisms lag behind differentiation; collaboration silos exist.
- Financial leverage pressures influence strategic flexibility.
- Data, AI, and interoperability are emerging as core differentiators.

Recommendations:

- Institutionalize a Global Product Integration Office to strengthen cross-product coordination.
- Maintain dual operating logic: strict SOPs for core operations, agile autonomy for innovation teams.
- Evaluate SynXis divestiture using strategic-fit and transaction-cost criteria, not purely financial targets.
- Decentralize regional authority for pricing and customization to improve local responsiveness.
- Invest in data-governance and API platforms to deepen customer lock-in and raise switching costs.
- Adopt a directive + emergent change hybrid —financial discipline plus protected innovation budgets.

19. Conclusions

KPMG exemplifies a transnational organization that leverages global standards while empowering local responsiveness⁵⁸. Its structure, driven by strong integration mechanisms and advanced technology, supports a broad differentiation strategy. However, challenges remain in balancing control with autonomy and in ensuring seamless collaboration among member firms. The firm’s strategic success depends on sustaining its trust-based positioning while continuously evolving its operating model for agility and innovation.

Sabre Corporation represents a complex, technology-intensive transnational organization that successfully blends operational reliability with product innovation .Its design reflects a balance between mechanistic control (for scale and safety) and organic adaptability (for innovation and market responsiveness) .Future success will depend on strengthening integration mechanisms, optimizing portfolio focus, and managing the tension between financial prudence and technological agility.

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