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978-1-107-00448-1 - Organizational Design: A Step-by-Step Approach Second Edition

Richard M. Burton, Børge Obel and Gerardine DeSanctis

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Organizational Design

In today's volatile business environment, it is more important than ever that managers, whether of a global multinational or a small team, should understand the fundamentals of organizational design. Written specifically for executives and executive MBA students, the new edition of this successful book provides a step-by-step "how to" guide for designing an organization. It features comprehensive coverage of the key aspects of organizational design, including goals, strategy, process, people, coordination, control, and incentives. These aspects are explained through the use of a unique series of 2×2 graphs that provide an integrated, spatial way to assess and plan organizational design. The new edition features a number of important improvements, including a new framework for understanding leadership and organizational climate, the introduction of the concept of manoeuvrability, and a completely new chapter examining joint ventures, mergers, partnerships, and strategic alliances.

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CAMBRIDGE UNIVERSITY PRESS

Cambridge, New York, Melbourne, Madrid, Cape Town,
Singapore, São Paulo, Delhi, Tokyo, Mexico City

Cambridge University Press

The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org

Information on this title: www.cambridge.org/9780521180238

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First edition published 2006

Second edition published 2011

Printed in the United Kingdom at the University Press, Cambridge

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

Burton, Richard M.

Organizational design : a step-by-step approach / Richard M. Burton,
Børge Obel, Gerardine DeSanctis. – 2nd ed.

p. cm.

Includes bibliographical references and index.

ISBN 978-1-107-00448-1 – ISBN 978-0-521-18023-8 (pbk.)

1. Organization. 2. Corporate culture. 3. Psychology, Industrial.

I. Obel, Børge. II. DeSanctis, Gerardine. III. Title.

HD31.B8523 2011

302.3'5–dc22 2010053595

ISBN 978-1-107-00448-1 Hardback

ISBN 978-0-521-18023-8 Paperback

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Preface to first edition

In writing this book, we had specific readers in mind. We dedicate this book to our executive students at The Fuqua School of Business and at the Aarhus School of Business, Denmark. Executive students are very special professionals who come from around the world and bring their varied experience. They have a goal to acquire new knowledge to act and take decisions that will make a difference in their world. In particular, they want to improve the performance of their firm, unit, or organization. From our first detailed outline to the final editing from Cary, Durham, and Aarhus – whether in person, video conference or elaborate email – they were ever with us.

Experience and science are two great teachers. Most of us spend most of our time in organizations at work, home, worship and leisure. Over time, we amass a wealth of experience through observation and action to apply in the design of organizations; simply, we use our experience to design. But this experience is limited and we can enhance it by blending it with the science of organization design. The science of organization design is an accumulation of knowledge by many individuals who, over many years, have conducted research on the performance of organizations under many conditions. It informs us about how to take action to design an organization. The scientific foundation of this book comes from almost a century of research we call the multi-contingency approach of Organizational Design.

The executive wants to understand, to diagnose, and take action. Experience and science are complementary and mutually supportive. In our classes we try to build upon our executive students' varied experiences with the science of organization design to enhance their ability as executives to take informed decisions and actions. As leaders in their firms they want to know what is wrong, why it is wrong, and what can be done. In this book we approach their questions systematically. We begin with the goals of the organization; then we develop an understanding of the environment; examine the strategies; tease out the structure and the IT infrastructure; examine the leadership style; observe the climate; and scrutinize the incentives. Using our experience and the science of good design, we analyze what works well and what does not work well, or not at all. Good design fits together; poor design has misfits and the organizational performance suffers. Design is the diagnosis of misfits and the action to fix them.

What is a good way to read and use this book? The book begins with organizational goals and builds up a comprehensive integrated model for a good organizational design. Skip around, examine the figures and tables; answer the diagnostic questions to get started. For whatever approach you find comfortable, you should pick an organization such as your own firm to use for analysis of, and reflection on, the concepts. Along the way, you should diagnose the organization and think about the actions you want to take to make your organization perform better.

Many have helped in a number of ways. There are our executive students who provided the motivation. Over the last two years, Dr Katy Plowright, our editor at Cambridge, has been the patient yet demanding task master; she has been our anchor and our guide. Further, we have had the support of a number of editors at Cambridge; they have been most helpful. Dorte Døjbak Håkonsson of the University of Southern Denmark and Min Li of the Fuqua School read the penultimate draft and made many improvements. Karin Søby of the Aarhus School of Business read and corrected the manuscript. Finally, we want to thank our friends and families, who have been there when we needed them most – all the moments between the blank screen and a book.

RICHARD M. BURTON
GERARDINE DESANCTIS
BØRGE OBEL
August 12, 2005

On August 16, 2005, Gerry DeSanctis passed away. Gerry was charming, patient, supportive and kind as well as disciplined, determined and strong willed. She had passion for her students and was a complete teacher. We were privileged to work with her in writing this book. She made us better, both in our work and our spirit. It was a wonderful opportunity and an experience that bonded our friendship.

Gerry had deep courage. She is our incredible colleague and beloved friend. In her parting words, “I’ll always be with you.”

RICHARD M. BURTON
BØRGE OBEL
September 10, 2005



Preface to second edition

Since the first edition in 2006, many things have changed. The world economic crisis, which is most evident in the financial sector, has changed our world from expected growth to more restrictions and more nuanced changes. Yet, the fundamentals of organizational design remain relevant – perhaps even more so. The step-by-step approach which focuses on the identification and fixing of misfits addresses today's challenges; an information-processing view of organization captures the basic processes of organization; and a design is essential to good performance for the organization. In short, the basic ideas for a good design remain, even if some of the parameter values are modified.

Yet, we have made some significant changes in this second edition. We have: added a number of examples to illustrate the fundamentals and provide a timely context for the reader; introduced emotions as an underlying frame for leadership and climate; expanded the dynamic fit ideas and included time more explicitly; and deepened the examination of joint ventures, mergers, partnerships, and strategic alliances.

Paula Parish of Cambridge University Press has been a very supportive editor. Dorthe Døjbak Håkonsson of the Aarhus School of Business, Aarhus University has shared our joint research which is central to the changes in this edition.

And finally, thanks to the many individuals who used the first edition and inspired us to undertake this revision.

RICHARD M. BURTON

BØRGE OBEL

September 3, 2010