

## Selecting the Appropriate Organizational Focus

Macy's new strategy called for regional differentiation, while its formal structure made such differentiation difficult, if not impossible. So, in order to achieve that strategy, Macy's changed its structure. After running six pilots, the company moved to a focus on regional markets.

In all organizations, the activities of employees need to be focused on two separate issues:

1. The functional or technical activities required to achieve the desired outcomes of the organization.
2. Responsiveness to the external marketplace (customers, suppliers, competitors, regulators, and so on) in which the organization has elected to compete.

No organization can select one focus to the exclusion of the other; the focus of employees must be simultaneous. Nonetheless, organizational leaders may choose to emphasize one over the other, and that emphasis is likely to change over time in response to the dynamism of the competitive environment and the strategic choices of the organization. It is therefore important that leaders understand the impact that various structural choices will have on the focus of employees and, consequently, on their behavior. Organization structure is a mechanism for helping to achieve the desired focus. Therefore, when a new strategy calls for a new focus, it is likely that the structure of the organization will need to change.

## Choices of Organizational Structure

Organizational structure<sup>1</sup> refers to the formal manner in which employees are subdivided into units and divisions as a way of focusing their efforts on the required tasks of the company.

### Building a Vocabulary of Change

#### Organizational structure

the formal manner in which employees are subdivided into units and divisions as a way of focusing efforts on the required activities of the company.

Structures impact behaviors by defining the context for work. The change implementation question, therefore, becomes two fold:

1. What structures to use?
2. How and when do we change structures?

Let's examine the what question first: what are the structural options available to leaders?

A quick look at an organizational chart reveals the choices that leaders have made concerning structure. A chart may show, for instance, functional units such as manufacturing, marketing, and engineering. Another chart might include product-oriented divisions, such as Macy's regional divisions. Far more complex charts might find lines of responsibility crisscrossing both horizontally and vertically, linking functions with product lines and perhaps even geographic regions.

Although structure is often thought of in terms of boxes and lines—who holds what title and who reports to whom—the key question is really one of focus

Theory into Practice

Organization structure is more than just boxes and lines; it is a way to focus the activities of employees.

### Focus on Functional Excellence

In their earliest founding stages, organizations typically exist in a prestructural state. When Open Markets, Inc. (OMI), a software tools and development business started, for instance, 12 employees shared office space in a Cambridge, Massachusetts, basement. They had no job titles but only the most general definition of individual responsibilities. The tasks that needed to be accomplished were simply shared.<sup>1</sup>

At some point, as organizations evolve, leaders adopted a more formal structure to add greater order, stability, and focus. "As we've grown," noted an OMI employee, "some people feel it is difficult not knowing who your boss is, who will evaluate your performance, where to go for help. As we get larger, we need a little more structure."<sup>2</sup> At OMI, employees naturally assumed responsibilities for the various functional activities of their organization: software development, of course, but also marketing, sales, vendor relationships, finance, and administration.

Theory into Practice

As organizations move beyond the small, start-up stage, they are likely to adopt a simple functional structure: people with similar skills performing related activities are placed in functional departments.

Over time, as an organization continues to grow, individuals with like-minded interests, inclinations, and competencies find a home among one or another of these functional activities. In doing so, an organization can change by adopting a functional structure<sup>3</sup>: a structure meant to focus activities on the functional or technical tasks of the organization. Exhibit 6-1<sup>4</sup> depicts a prototypical functional organization chart for an internet portal provider.