

Understanding Design Challenges

Although all organizations are unique in terms of purpose and strategic direction, they face some common design challenges:

- All organizations require some level of differentiated activities: focusing on different tasks and customers and operating in different competitive environments.
- At the same time, integrated activities will provide organizations with the benefits of efficiency and the ability to move knowledge and resources across and around their various activities and units.
- All organizations, regardless of their histories, strategies, and competitive environments, rely on some type of control mechanisms to help shape employee behaviors. They need to deploy control mechanisms, however, without losing requisite levels of creativity and innovative response from the employees whose behaviors they are attempting to influence.
- All organizations must decide how and where to allocate decision-making rights and responsibilities.

Before embarking on a change implementation effort, organizational leaders need to appreciate these three challenges: the challenge of integration and differentiation, of control and creativity, and of allocating decision-making rights.

The Challenge of Differentiation and Integration

To understand the challenge of differentiation and integration, we can turn to the shifting strategic choices made by management at SAP America.⁷ SAP America is a subsidiary of Germany-based SAP AG, producer of the integrated software architecture that dominated the enterprise systems market.

The American division faced a number of organizational challenges. Its U.S.-based strategy supported growth through highly autonomous regional markets. Each region developed its own processes and procedures for selling and supporting SAP software. SAP's products, however, developed a reputation in the marketplace for being expensive, complex, slow to install, and confusing to maintain.

New SAP America president Jeremy Coote felt the need to focus on supporting customers. In particular, he was convinced that SAP's professional consultants, whose job it was to help clients plan, install, and support the systems, needed to share knowledge and coordinate their efforts across the regional markets. Customer service, in his view, was not a regional challenge; it was national.

Here is where past design decisions—especially the heavy emphasis on regional autonomy—provided a barrier. Regional autonomy offered flexibility in response to local customers. At the same time, it hampered coordinated national consulting support. SAP's consultants from different regions failed to share experiences and learning with each other. Consultants responded to the same customer issues in the Northeast and Southwest, for instance, without communicating with each other or sharing knowledge. It was like reinventing the wheel when a customer problem arose in, say, St. Louis. Even though the same problem had been dealt with effectively in Phoenix, that experience had remained local. The St. Louis folks had to address the problem as if they, and the company, had no experience with it.

In order to encourage sharing, Coote focused on his existing group of professional consultants. After collecting performance data from the regions and setting goals for the upcoming year, he worked with his newly hired national manager of professional consulting to redefine responsibilities while defining nationally agreed-upon consulting roles. SAP also involved consultants at an early stage of all new product development and implementation plans.

SAP America made a strategic choice early in its U.S. operation: to emphasize regional autonomy as a way of spurring rapid growth. The idea—an idea that, the evidence indicates, was perfectly valid—allowed regional managers to focus their resources and shape their responsiveness to match the particular needs of their regional customer base.

To pursue that strategy, SAP created a design high in differentiation , which refers to the degree to which different functions, departments, and units in an organization are allowed to develop their own approaches in response to their particular goals and unique competitive environments.

Building a Vocabulary of Change

Differentiation

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