

People & Organizations

Evolution of The Modern Business Enterprise

Session 4

Agenda

- Understand Differences between Chandler-like & Powell-like Organizations
- Identify personal skills needed to thrive in and manage modern organizations
- What have we learned from the “Great Recession”?

Changing Face of Organizations

- Late 1800s: Large Trusts (Who was the most famous “Trust Buster”?)
- Early-Mid 1900s: Multi-divisional vertically integrated firm
- 1960s-70s: Conglomerates (horizontal diversification)
- 1980s: Leveraged buy outs-hostile takeovers
- 1990s: Narrow focus to core competencies—outsource non-core work
- 2000: Off-shore to China whatever possible
- 2006: Growth of Private Equity
- 2008 and beyond: What will we learn from the “Great Recession”?

Two Perspectives on Transformation of Modern Business Enterprise

- Alfred Chandler: 1962 classic book: *Strategy & Structure* research on the large U.S. business *firms* from late 19th through mid 20th century—duPont, GM, Sears, Standard Oil...
- Woody Powell 2001: based on two decades of sociological research (on publishing *industry* early 1980s, bio-technology *industry* from the late 1980s)
- Both on MIT faculty at one time

What are the key differences in their two models? Similarities?

- Strategies?
- Structures?
- Other Features

What factors led to emergence and supported these two models?

- What role is played by:
 - Changing markets?
 - Technological Innovations—which ones?
 - Government actions/policies?
 - Decisions/Strategies of executives/ top managers?
 - External actors/institutions?
- Given answers above, how much choice did/does an enterprise have in adopting the “new” form?

How did/do these organizational models affect your family? How are they likely to affect you?

- Your grandparents worked in Chandler's era, some of your parents experienced the transition from Chandler's to Powell's era.
- Do their models ring true, based on your own family's experience?
- How many parents experienced the transition? How did it affect them?
- Do you expect to live in Chandler's model or Powell's, or something different?

From Chandler to Powell

- Individual jobs \longrightarrow Project teams
- Sequential design-production \longrightarrow simultaneous
- Core competency: scale, technology \longrightarrow knowledge
- Power through size \longrightarrow power through learning
- Job security through seniority \longrightarrow volatility, uncertainty
- Hierarchy \longrightarrow networks
- Internally funded growth \longrightarrow venture capital markets
- Firm led R&D \longrightarrow R&D partnerships \rightarrow universities as players

What individual skills/capabilities are most needed in Powell's model?

- What skills/capabilities does an effective top manager need?
- What skills/capabilities might you need to succeed in this world of work?—Let's revisit your lists from last week—

What's needed from other institutions?

- Government?
- Universities?
- Professional associations?
- International Agencies?
- Others?

What have we learned from the
“Great Recession??

“Take Aways”

- Both Chandler and Powell-like organizations continue to exist--food for thought about picking an organization:
 - In considering job options—which is more compatible with your career aspirations/expectations?
 - Picking an org to analyze for your class paper
- Neither model is stable—the evolution of org forms is neither ended nor completely outside control of decision-makers
 - Founders of new firms can shape the future!!
 - Govt. policies can influence
 - ***You can make a difference!! To do you will need:***
 - Skills to manage in both types of settings
 - A n analytic framework for understanding-reading the organization setting you are in
- That’s where we go next—three lenses for analyzing organizations

Previewing: Three Lenses for Analyzing Organizations

- Strategic design: new architecture – project as key unit of design, “fuzzy” boundaries
- Political: empower the “front line” of organization, recognize multiple stakeholders
- Cultural: new vision/rhetoric, different framework for identity

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15.668 People and Organizations

Fall 2010

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