

Strategic Organizational Design

Session 3

Why are things changing?

The Goldcorp Challenge

- Rob McEwen, CEO, Goldcorp Inc.
- Where to dig for gold?
- At MIT, heard about Linux open source software
- Idea: All geological data posted on Internet!
- \$575,000 prize money for best drilling plans
- Result: 50% of targets identified were new. 80% were rich deposits. Stock up 3000% since 1993!

**Why are organizational designs
changing?**

Radical decentralization in business

We are in the early stages of an increase in human freedom in business . . .

. . . that may be as important as the change to democracies has been for governments.

Why is this happening?

- **For the first time in history, we can now have the economic benefits of large organizations...**
 - economies of scale and knowledge
- **...without giving up the human benefits of small ones**
 - freedom, creativity, motivation, and flexibility.

Why is this happening? (cont.)

- **This change is enabled by new technologies.**
 - Lower communication costs mean many people have enough information to make more decisions for themselves.
- **But the change is driven by the business benefits of more people having more freedom.**
 - Motivation, creativity, flexibility

Example: Wikipedia

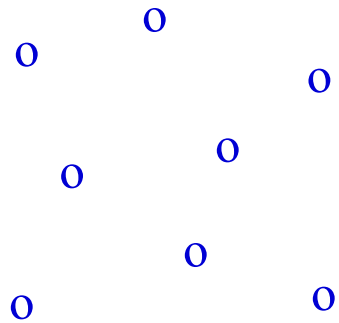
- An “open content” encyclopedia (www.wikipedia.org)
- Anyone can add or change anything at any time
- Frequent contributors watch recent changes to undo or correct errors
- Started 2001. Already over 3.5 M articles. Not perfect, but very good.

Examples

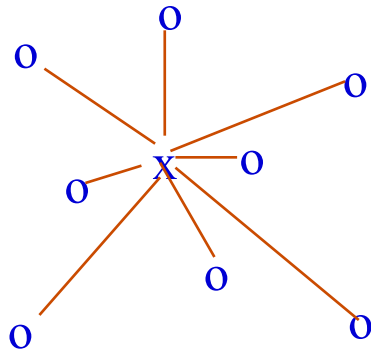
- eBay
- InnoCentive
- ...

Societies through history

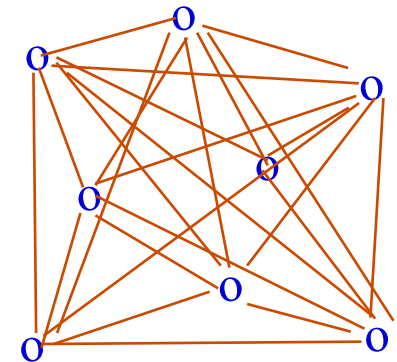
Bands
(Decentralized,
Unconnected)



Kingdoms
(Centralized)



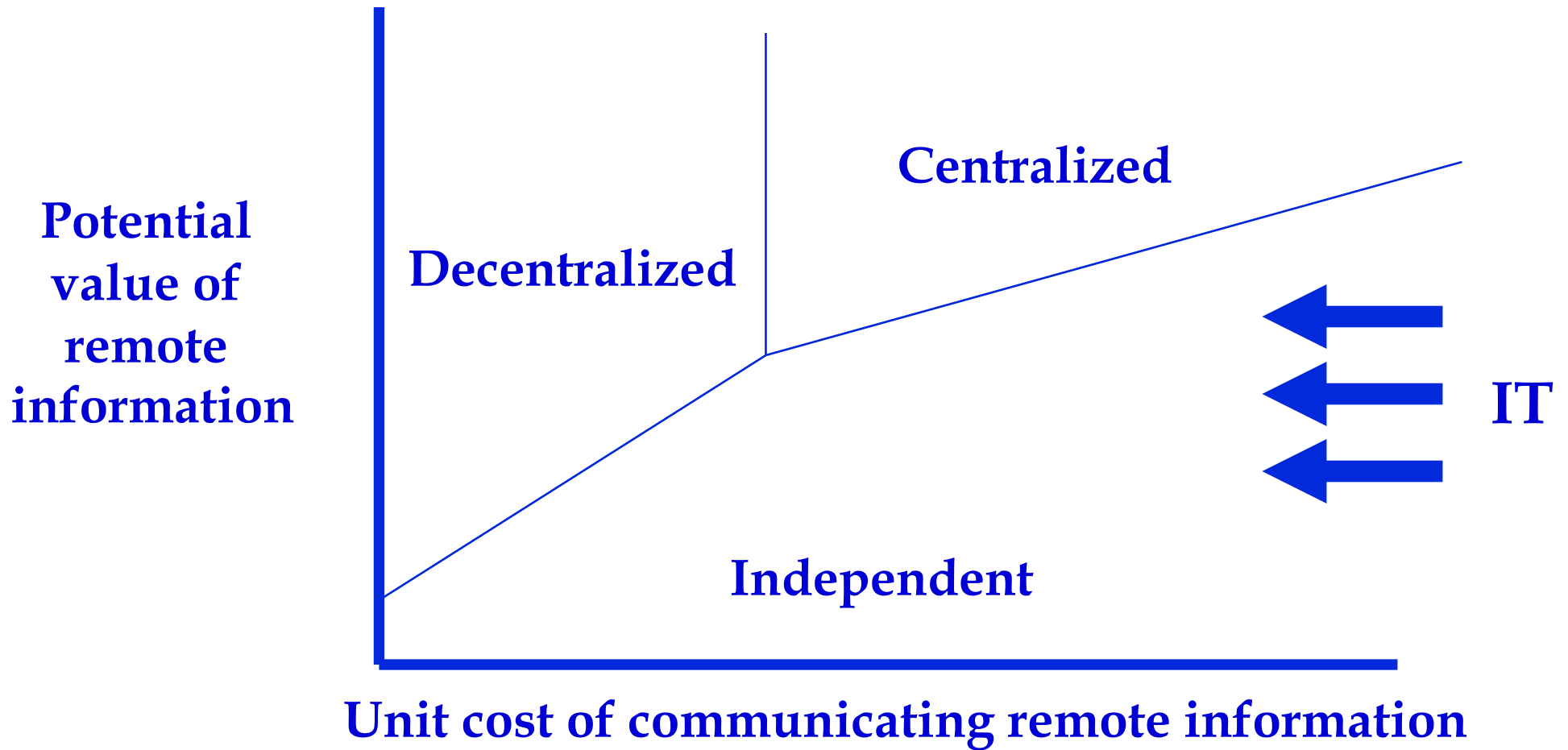
Democracies
(Decentralized,
Connected)



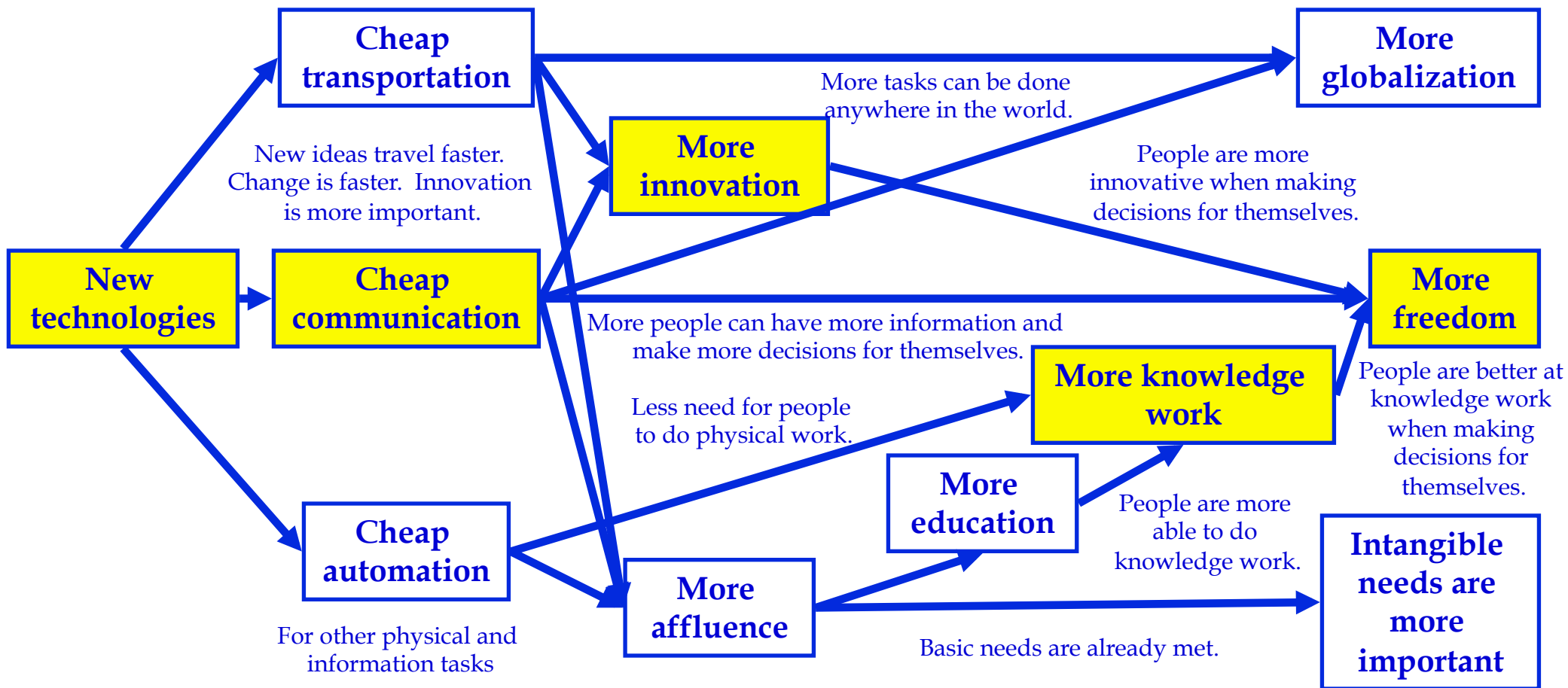
Assumptions

<i>Decision-making structure</i>	<i>Total costs of communicating remote decision information</i>	<i>Actual benefits of considering remote decision information</i>	<i>All other costs (trust, motivation, etc.)</i>
Independent	L	L	?
Centralized	M	H	H
Decentralized	H	H	L

Result



How technology enables changes in organizational design



What does this mean for organizational design?

There are many new opportunities for organizational innovation.

**What are examples of
organizational innovation?**

Conclusions

- **New technologies are decreasing the costs and increasing the desirability of organizations where**
 - **more people make more decisions (freedom)**
 - **activities are more distributed geographically (globalization)**
 - **Intangible (non-economic) needs are more important**
- **Now we need to invent more organizations like this!**

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15.320 Strategic Organizational Design
Spring 2011

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