UNIVERSITY OF COPENHAGEN

Organization Theory

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Question 1

After DeSimone took over the CEO position of the company, he said he would try to combine the attributes of his three predecessors. Therefore, he will focus on the charismatic motivating style, bring out the best of people and be able to take disciplinary action while at the same time be objective. The reason he combines these values is to be able to balance freedom and control. With these elements in mind, the first steps DeSimone took was to reorganize and regrouping the company's businesses from four into three sectors, which is in line with Lehr's strategy. He continued using Jacobson's productivity initiatives and rethought Lehr's quality initiative as a program committed to total customer satisfaction. Furthermore, he raised the ante for faster, more efficient product development while retaining the company's three aggressive goals, which is in line with Jacobson's way of operating. Twenty-five percent of sales should come from products introduced within the past five years, however, in the future, the target would be thirty percent of sales from products introduced within the past four years. The increased target was created to visualize the new strategic importance of innovation and introduce new products to the market faster. Another step DeSimone took to achieve this innovation was to increase R&D funding.

DeSimone's overall strategy is in line with the 'analyzer' strategy described by the Miles and Snow Strategy Typology (Daft. et. al., pp. 64). The Miles and Snow typology uses the idea that managers develop strategies that will align with the external environment. There is focus on four different strategies, prospector, defender, analyzer, and reactor. The analyzer is a combination of the operator strategy and defender strategy. DeSimone says, "*It's also one of balancing freedom and control.*" (Text-26 3M, pp. 15), which means that DeSimone tries to maintain a stable business while innovating. This is what the analyzer strategy is about. 3M balances efficient production for current production lines while having the ability to create development of new product lines. This is seen as the company still generates 75% of its sales from products that is more than five years old. The link between the innovation part of the analyzer strategy and in 3M becomes clear when DeSimone's decides to increase the target of the number of sales from products within the past four years and his step towards increasing the R&D funding. The reason DeSimone chooses a strategy that aligns with the analyzer strategy might be due to 3M's competitive advantage in the market. 3M gains its competitive advantage through innovation. Therefore, 3M must innovate to keep their competitive advantage. However, the company has become large and therefore it must also protect its already existing and successful products.

Question 2

We will continue with the analyzer strategy presented above. Firstly, we will present how to implement the innovation strategy, which is the prospector site of the analyzer strategy, and then we will shift focus on how to maintain a more stable strategy being the defender aspect of the analyzer strategy.

DeSimone takes the CEO position after Jacobson who had implemented changes that overturned some of the company's established practices. The traditional way of being innovative and maintain opportunities for the entrepreneur were diminished. To successfully execute DeSimone's strategy, it is important to create an organizational structure that supports the strategy. First, DeSimone will need to remove the structure Jacobson has created, since his structure does not support innovation but was geared towards disciplined development process. Therefore, the organizational structure that would fuel innovation will first require a culture change and then we can build a structure around the culture to further support innovation. Culture is based on a set of values and norms that is guiding the beliefs of the employees and an understanding that are shared between members in the organization, (day 6, slide 12). The reason it is so important to first create a cultural structure that accepts the innovation strategy is since the members otherwise would resist and the whole strategy would have a higher probability to fail. To create this culture change, we will look at "The Concept of Culture (Schein, 1990)" (day 6, slide 14). We need to dig deep into the basic assumptions and the beliefs each of the members are carrying around the organization. We will leverage on the past success of the company. The top management should tell stories about how the innovation strategy in the past were a major part of the company's success. I would articulate the successful experience and enjoyment of having freedom to innovate and bring entrepreneurs who have had a successful experience around the organization to visualize the importance of his/her creating. This would create a symbolic status, which other colleagues might also want to achieve. Symbols are an effective way to spread deeper organizational values. After articulating the strong beliefs in innovation, we will need to setup a structure that supports this culture and, in the end, increases innovation.

I would focus on internal integration which is about developing a collective identity and know-how to work together effectively (day 6, slide 15). To do this, I would encourage social activities and professional activities like the Annual Technology Fair. This was a three-day internal event where scientist's present their latest innovations. This fair created a community where members could learn about 3M's latest innovations from colleagues. Next, I will further develop the technical forum so new members of the firm will quickly be accustomed to have communication across horizontal and vertical organizational boundaries. This structure allows information to flow more fluently between the scientists and the top management (Text 26 3M, pp. 4). To further encourage knowledge-sharing and communication, it is important to keep the open-door policy. Meaning, all members in the company can walk into your office and ask questions. These structural ways of

creating communication are the so-called artifacts related to Schein's theory (day 6, slide 14). These are visible structural ways of improving the communication and therefore increases the spirit to innovate.

The next critical function in the organization is to adapt to external environment so we can develop a successful innovation strategy. "*External adaptation refers to how the organization meets goals and deals with outsiders ...*" (Day 6, slide 15). For 3M to adapt to the external environment, leaders must establish a mission that is clear to all member of the organization. The mission for 3M is not clearly stated in the case, but a mission that would be appropriate for their situation could be 'to gain market share'. This will guide the members and let them be more able to deal with the competitive environment. Next, the company must establish goals. This is shown by the three financial goals that DeSimone has retained, *"(10% earnings growth, 27% ROCE, and 20%-25% ROE)*" (Text 26 3M, pp. 15). The goals should be derived from the mission.

For 3M to achieve these goals, the managers of the EVP sectors in 3M must focus on the time pacing described by (Eisenhardt & Brown, pp. 788). The reason I find time pacing important is due to the fact that 3M operates in a market with short product life cycles and there needs to be rapid decision making (Text 26 3M, pp. 14). This also implies that there is no time for a 'static' strategy. 3M needs to be quick with developing new and innovative products, which is done by reacting to change on customer preferences or new technological innovation released by other organizations. This way of operating should be complemented with "*links in time that direct attention to different time frames*" (Day 12, slide 27). 3M should experiment with a wide variety of products but also with existing product to lower cost. This will be done by creating numerous teams that focus on different technology, and when the manager finds an interesting product in one of the teams, the unit will proceed with the product which seems most successful. When the product then has been established, the unit will do the same 'grow and divide' strategy to preserve the established successful product, but also to be able to find the next 'blockbuster' product. But to maintain the 'grow and divide' strategy, 3M must be able to navigate at the 'edge of chaos.' To get to the edge, 3M should be organized into 'atomistic' strategic units (Eisenhardt & Brown, pp. 788-788). The strategic units should contain few strict rules and otherwise should behave autonomously. In fact, this way of operating is already existing at 3M, example 'pacing programs,' which "*each division was asked to identify the handful of development programs that could make a major difference*" (Text 26 3m, pp. 13). Therefore, it should not be challenging to navigate on the edge of chaos and focus on time pacing. This way of operating leans towards an organic design with few implementations of the mechanistic design which I would implement in 3M.

An organic design focus on innovation strategies and the structure for 3M should be created as a flexible network structure divided into different business units. This structure allows large flows of information, components, resources, and people (Day 4, slide 42). However, the business units should still contain a certain level of functional hierarchy to control for emergencies (Day 13, slide 9). The work design I would implement in the business unit is self-managed teams that each focus on different innovations. The human resources practices contain continuous development through the existing dual ladder program and the management system will be open and inclusive, which is supported by example, the open-door policy. However, one thing that can prevent this integration is if Jacobson management style have had too big of an impact on the organization's structure and culture so the resistance from the employees becomes too large, which is elaborated in question 3.

The second part of the analyzer strategy is to maintain a stable business. Here it is critical to stretch out the past, which is also an important aspect of competing on the edge of chaos (Eisenhardt & Brown, pp. 789). This implies that 3M should have focus on their already existing products and keep them in the market longer than their competitors. These products should be exploited in a way where small tweaks of the product are implemented and should be able to extend the products into new customer segments. This kind of operating is nearly established at 3M. Example, the successful product Post-it notes were created through an older failed project. The failed project was "*picked up by another technologist who saw its weak sticking power as an asset*" (Text 26 3M, pp. 6). This illustrates that 3M can manage time, stretching the past while balancing on the edge of chaos. To further maintain a stable business, it is important to create measurements and a correction structure to secure that the strategy is working. Here it will be a clever idea to use financial statements to see, whether the organization will hit its goals. Therefore, there should be monthly measurement regarding the financial statements, and forecasts should be implemented to predict, whether 3M will reach its goals. This element relates to the 'defender' site in the analyzer strategy to maintain a stable business.

When goals are reached, it is important to create a certain structure that embraces it. The structure I would implement is called a 'recognition day' held quarterly, where managers in different units prepare a speech informing the employees of their success and their contribution to the company. Furthermore, I will recommend the managers to tell stories of the most successful innovations in their unit and give credit to those who have contributed to these. This will make the employees feel recognized and feel a certain achievement. This is the two top motivating factors according to the Two-Factor theory by Frederick Herzberg, 1966, 2003, (Day 7, slide 15).

Question 3

The original culture at 3M pursued motivation and created a belief system where ordinary people can create extraordinary results. 3M have a slogan "make a little, sell a little," which motivates the employees to innovate products even though it might only sell to a niche market. However, later when Jacobson became CEO the strategy shifted, which might have altered the culture. If we assume that the culture has shifted away from the original culture created under the McKnight era and towards a more structural and slow-moving innovation culture, the structures discussed in questions 2 might be difficult to implement. The type of resistance we could be dealing with is, "*change is unnecessary*" (Gary Yukl, pp. 64). The reason for this resistance might be because even though Jacobson decreased the morale to innovate, 3M still exceeded its goal of accounting 25% of its sales from new products. Furthermore, 3M made Fortune's list of "*America's Ten Most Admired Companies*" due to its success under Jacobson's era. The "*stockholders equity averaged 20.9% between 1986 and 1990, compared to the corporate target of 20%-25%*" (Text 26 3M, pp. 14). This might also create a certain resistance from the stockholders, since they got an equity that is sufficient to the corporate target. Why would the stockholders need a change if 3M can reach its goals? For that reason, I would anticipate a certain resistance from the stockholders. Another resistance can be the relatively high costs that relates to creating a strategy that focuses on more innovation. The concern related to cost in relation to benefit will increase as it is not possible to estimate the benefits from the innovation strategy directly (Gary Yukl, pp. 64). Again, the resistance might be reflected in the stockholders who can put pressure on the CEO, which can harm the CEO's decision making.

To deal with this resistance, we will focus on Lewin's force-field model (Gary Yukl, pp. 65). He proposes three phases to create a change process. First, we will need to unfreeze the situation. This implies that the people need to "*realize that the old ways of doing things are no longer adequate*" (Gary Yukl, pp. 65). This is done by close communication, where you articulate the importance of creating the new strategy with all members of the organization. I would explain to the stockholders how 3M has become too slow for the volatile market and that changes towards being more innovative is needed for 3M to survive. To further establish my argument for what reason changes are needed, I would present a SWOT analysis (Day 3, slide 15). The SWOT analysis focuses on the company's strength, weaknesses, opportunities, and threats. One of the strengths for 3M would be the innovation. 3M has a powerful reputation in product innovation. Their research and development have become a strategic advantage to create more successful products which are also more differentiated. 3M has

established much expertise across different industrial areas, they can leverage their R&D skills across the organization. Therefore, it would be a clever idea to create change towards the analyzer strategy that might tilt at bit more towards the prospector strategy and less defender strategy. Weaknesses for 3M could be diversity. Since 3M has so many diverse products, it means that they cannot become specialists in every market area they operate in. Therefore, many of their competitors would have an advantage over them for being a specialist in the industry. This is an argument for the fact that no change is required, and instead they should focus on Jacobson's strategy where they were more controlled. This might make 3M become more specialized and focused on existing products. Opportunities for 3M could be their ability for a natural market growth. Since 3M is well established in many industries, example health care and electronics, it also has multiple opportunities to create a natural growth across different industries, which against speaks for the fact that they should consider the strategy change. Lastly, we have threats for 3M which could be environmental concerns. 3M is a manufacturing company where lots of chemicals are used which causes pollution. This can create lawsuits against 3M. As a result, 3M might consider stepping away from certain industries even though it has its opportunities.

With the presented SWOT analysis, the strength and opportunities outweigh the threats and weakness, meaning 3M should continue with the innovations structures and proceed with the analyzer strategy. To further establish the importance of a change and to unfreeze the situation, I would present the 'S' Curve (Sigmoid Function) (Day 2, slide 13). The 'S'-curve shows how 3M can gain competitive advantage, they will need to rise through the 'S'-curves, and when the discontinuity phase occurs, 3M will need to invest and innovate to reach a new 'S'-curve to further develop their competitive advantage. If 3M does not keep innovate, they will risk losing their competitive advantage. Furthermore, the 'S'-curve illustrates an important aspect of competing on the edge. It shows that 3M needs to focus on time pacing to create new increased 'S'-curves as illustrated in (Day 03, slide 26) so they can survive the volatile market.

Secondly, we have the changing phase where "*people look for new ways of doing things (…)*" (Gary Yukl, pp. 65). This is where our structural change discussed in question 2 becomes relevant. We need to create motivation and a movement towards learning and knowledge sharing (Day 12, slide 15). The new ways of doing things would be to recreate the Annual Technology fair and continue with the 'open-door' policy. Furthermore, to regain the enthusiasm for innovation, it would be important to still allocate 15% of the employees' time for them to pursue innovation and interesting ideas. I will

proceed with the "dual ladder" system that allows employees to pursue their professional career while pursuing other professional interests.

Thirdly, in the refreezing phase the structures and changes will be implemented and become established. The way 3M should implement the changes is through the cultural change described in question 2, and then procced with the artificial and visual changes also described in question 2.

If we, on the other hand, assume that the culture has not changed, meaning that the original culture is still present and deeply rooted into the employees, I would not anticipate any resistance. The reason behind this is because the original culture relies heavily on trust, motivation, and communication between members in 3M. This is shown in the cultural norm, where it is okay to make mistakes, *"3M managers learned to ensure that when a project failed, those involved in it were not penalized, but were supported in their efforts to quickly move on to something new."* (Text 26 3M, pp.5). Accepting failures and creating stories to celebrate failed projects are an essential part of creating trust between the members. The scientists will now have greater courage to pursue innovations that might not seem successful to everyone, which implies more innovations. Therefore, the implications of creating the structures that supports trust, innovation, and communication might not create any major resistance. If the culture is deeply rooted in 3M and in the stockholders, they will know that 3M's past success relied on innovation. Another reason we might not see resistance can be linked to Theory Z described by Ouchi, 1981 (Day 6, slide 7). The assumption about workers is, when workers are supported by the company, as we saw in the past for 3M regarding failed project, they will develop sense of order, discipline and be hardworking. Furthermore, they also increase relationships with their fellow workers. This means that the scientist that would develop innovations can be trusted if management can be trusted to support them. If the culture has not changed much and the members of the organization still feel trusted, there might not be any resistance when implementing the structures as they are in line with the cultural norms and beliefs systems regarding open communication and trust.

Another reason we might not see resistance from the members in 3M can be illustrated with the Hierarchy of needs (Maslow, 1954) (Day13, slide 17). Still assuming the old culture is dominating, we will see the members have achieved all steps in the hierarchy. First, I would assume they have met the biological needs. The safety needs I assume are also met due to no complaints about safety. The belongingness and social needs are created through the different forums, *"Through these and other formal channels and forums, The relationships were strengthened by a strong norm that encouraged any company scientist to contact any other to discuss a problem or ask for advice or*

help." (Text 26 3M, pp. 4) This indicates that 3M focuses on develop belongingness. The esteem needs are created through the stories and awards, "*stories of major accomplishments that converted mortals into semi-legendary figures*" (Text 26 3M, pp.5). This shows that people were acknowledged for their achievements which gave them status, recognition, and a certain reputation in the company. The last step, self-actualisation, is achieved through the "*dual ladder"* (Text 26, pp. 5) program described above. Here the employees are allowed personal growth and feel fulfilment through pursuing of own interests. As members of 3M has achieved all steps in the Hierarchy, it is unlikely to see any resistance from them when implementing the structures. However, one could argue that these steps might not actually be fulfilled by all members. Example, the stockholders might not have achieved the last step in the hierarchy which could cause resistance. The reason for the stockholders to not have achieved the last step is because they might not be part of the dual-ladder programme. The stockholders own the company, but that does not mean that they would achieve self-actualisation through personal growth. You could still argue that they have achieved the rest of the steps, example esteem needs. There is a certain status and achievement being a stockholder at 3M.

Overall, with the presented arguments in mind, I would believe that implementation of the organic design and the structures presented in question 2 will create some resistance from the stockholders. The reason for this is "(…) *in recent years a greater command and control capability has been overlaid on it*." (Text 26 3M, pp. 15). DeSimone implies that 3M might have been affected by its past leaders, and it will be challenging to move onto a strong innovation culture again. However, the control might also be a strength for 3M to better handle emergency situations, which is why the 'analyzer strategy' seems to be DeSimone's overall business strategy.

References

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