

IBICT Lecture 6

ORGANIZATIONS

BASIC CONCEPTS of BUSINESS

e.g. what is an organization?

→ what comes to your mind?

Student Answer: roles, people, hierarchy, process → tell people how to work
common goal, instructions ^{~ structure}

RATIONALE (slide)

Group of people, organized → there are types of org., "families"

How related to innovation?

Stud. Answer: purpose of company, e.g. R&D → create innovation,
+ explanation you can have idea, but you need an
org. to bring it into market
e.g. Game industry

→ larger company, more innovators (more \$)

"Intrapreneurship" → inside a company; better hireable by a company
(also thanks to the knowledge about the processes)

↳ also good to know for startup:
structure a company

ORG. → definition from New Oxford American Dictionary
(see slides)

BUSINESS (see slide) → ALSO see how the def. changes over time

2019 (produce or, buy) sell products

↑ INDUSTRY ↑ COMMERCIAL

→ For profit company

→ Owner is responsible for the business's "life" → payment for workers, debts...

→ conceptualization for term: consuetudine,
business in putting into contact buyer & seller

2016 → laws

→ market sector (e.g. fruit, oil...)

-> Goal: profit

COMPANY

-> Legal entity

Physical person & legal person

everyone of us: name + surname

uniquely identified entity, representing an organization, company...

People & companies have rights and duties

-> makes real an abstract concept
↓
through a VAT no., taxes...

the state knows about its existence, about who produces goods in the country

Shareholders (= soci)

↳ founders, proprietors of shares (capital)

$$\text{eg. } \frac{100\%}{3} = 33.3\% \quad 3 \text{ people}$$

shareholders

The governance can be made of people or legal persons

companies which invest

-> common goal

-> limited liability: company capital & assets -> if it goes bankrupt, the shareholders can take only that

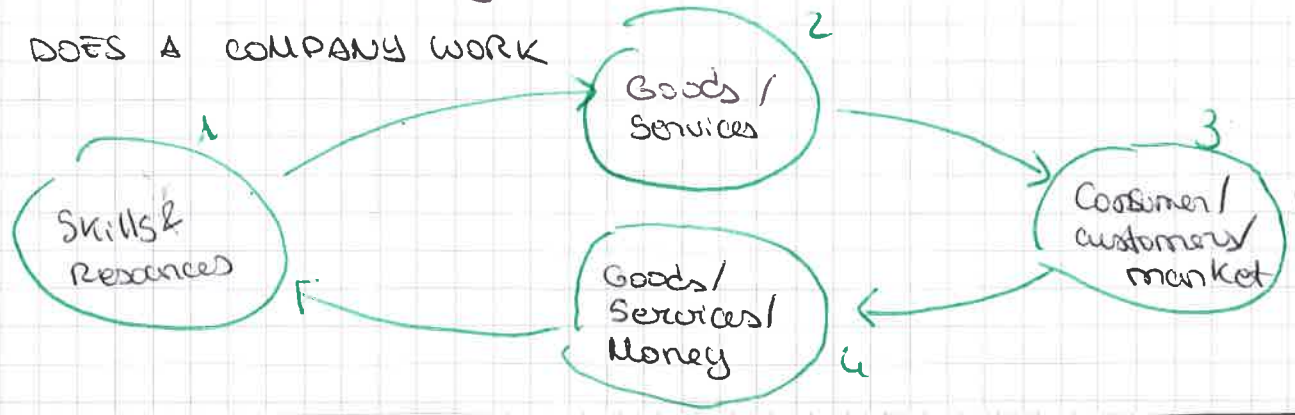
-> corporate group: eg. Alphabet, TeamSystem, FB

legal persons participating in other companies

there are other companies where they can take your personal property

"birth" and "death" certificate

HOW DOES A COMPANY WORK



VALUE CHAIN



The goal is to create economic value from the input to the output, in order to REWARD the cost of materials, design, work & time, and to create REVENUE.

COMPANY FEATURES

- Mission / objectives
- Structure → relatively stable, but may change
 - ↙ increase (adjustments, restructuring)
 - ↘ decrease
- Functions → what and how products are actually done
 - the goal is to maximise the revenue, e.g. by selling products that you have already been doing, without reinventing much if not necessary

↓

but

There is always a setup cost in creating something (design & designer, investments in technology to be used)

if you see the product, the investments will pay over time (e.g. Airbnb: cost of platform, but high usage and revenue w/ time)

STANDARDIZATION of COSTS

Idea is: specialize on a function that you know how to do already (e.g. working w/ wood vs changing materials)

PORTER'S VALUE CHAIN

Disassemble company to business units, which perform certain activities to produce goods:

- primary activities: create finite product (e.g. inbound & outbound logistics, operations, sales, service)
- support activities: horizontal activities dealing w/ infrastructure, administration, HR...

SEE SLIDES FOR COMPLETE SCHEMAS }

On the schema which characterizes this model, the cost of every activity can be written in the corresponding place.

↳ SUM to get overall production costs and therefore ~~cost~~ price

Which is the most expensive activity?

Answer from stud: (1) marketing: yes, sometimes; used for works for companies which sell to customers (B2C), whereas B2B needs less marketing
↳ produces goods for other companies

Also, and most important:

(2) operations: real production processes, people who work (salaries)

ORGANIZATIONAL STRUCTURES

Differ on the answer to: MAKE or BUY?

closed innovation
(most of organizational environment)

open innovation,
shared knowledge

FUNCTIONAL ORGANIZATION

→ closed innovation model, traditional hierarchy

→ try to minimize uncertainty in the environment (surroundings)

How? Take idea, introduce & develop it by dividing its features and assigning each of them to a person

→ PROBLEM: flexibility

DIVISIONAL ORGANIZATION

→ there are more divisions, equally organized

→ uncertainty depends on product

each p. is assigned to a division

→ more flexibility but redundancy on operations

e.g. UNITN,
Google

↳ can be solved by grouping the common parts

MATRIX ORGANIZATION

-> Minimize 2 different uncertainties, driven by both functions and products

	Area M ₁	Area M ₂
Proj. Man. 1	← ↑	
Proj. Man. 2		

-> 2 Managers

e.g. consulting companies

CONCELLATIONS

-> Even more flexible, but also more uncertain

-> Good for complex tasks, related to open environments

-> Typical of tech companies, or research companies

e.g. CERN, NASA, Airbus

SPAGHETTI ORGANIZATIONS

-> 1888, no organization actually

-> Knowledge intensive, information based

-> Start-ups, teams, co-working space (technical, professionals working together)

- o -

ENVIRONMENT

Freeze the env. that you shape

-> Patents e.g. Apple, IBM

(more about this will follow)