



Organizations

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Rationale

- Why we should organize instead of doing things on our own?
 - What types of organization “ideal types” we encounter?
 - Which purpose they serve for?
 - How do they relate to innovation?
- +
- Ever heard about “intrapreneurship”?



Definition of “organization”

organization | ,ôrgənə'zāSH(ə)n |
noun

1 an organized body of people with a particular purpose, especially a business, society, association, etc.: *a research organization*.

2 the action of organizing something: *the organization of conferences and seminars*.

- the structure or arrangement of related or connected items: *the spatial organization of the cells*.
- an efficient and orderly approach to tasks: *apparent disorder and lack of organization*.

From the New Oxford American Dictionary (Oct 2016)



What is a “business” (2019)

Business (from Wikipedia, Oct 2019)

“Business is the activity of making one's living or making money by producing or buying and selling products (such as goods and services). Simply put, it is "any activity or enterprise entered into for profit. It does not mean it is a company, a corporation, partnership, or have any such formal organization, but it can range from a street peddler to General Motors.

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.

The term is also often used colloquially (but not by lawyers or by public officials) to refer to a company. A company, on the other hand, is a separate legal entity and provides for limited liability, as well as corporate tax rates. A company structure is more complicated and expensive to set up, but offers more protection and benefits for the owner.”



What is a “business” (2018)

Business (from Wikipedia, Oct 2018)

“Business is the activity of making one's living or making money by producing or buying and selling products (goods and services). Simply put, it is "any activity or enterprise entered into for profit. It does not mean it is a company, a corporation, partnership, or have any such formal organization, but it can range from a street peddler to General Motors." The term is also often used colloquially (but not by lawyers or public officials) to refer to a company, but this article will not deal with that sense of the word.

- Anyone carrying on an activity that earns them a profit is doing business or running a business, and perhaps this is why there is a [misconception that business and company is the same thing](#).
- A business name structure does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for all debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.
- A company on the other hand, is a separate legal entity and provides for limited liability as well as corporate tax rates. A company structure is more complicated and expensive to set up, but offers more protection and benefits for the owner.”



What is a “business” (2016)

Business (from Wikipedia, Oct 2016)

“A **business**, also known as an enterprise, company or a firm, **is an organizational entity involved in the provision of goods and services to consumers**. Businesses are prevalent in capitalist economies, where most of them are privately owned and provide goods and services to customers in exchange for other goods, services, or money. **Businesses may also be social non-profit enterprises** or state-owned public enterprises targeted for specific social and economic objectives. A business owned by multiple individuals may be formed as an incorporated company or jointly organised as a partnership. Countries have different laws that may ascribe different rights to the various business entities.

Business can refer to a particular organization or **to an entire market sector**, e.g. "the music business". Compound forms such as agribusiness represent subsets of the word's broader meaning, which encompasses all activity by suppliers of goods and services. **The goal is for sales to be more than expenditures resulting in a profit or gain or surplus.**”



Company

Company (from Wikipedia, Oct 2019)

"A company ... is a legal entity made up of an association of people, be they natural, legal, or a mixture of both, for carrying on a commercial or industrial enterprise. Company members share a common purpose, and unite in order to focus their various talents and organize their collectively available skills or resources to achieve specific, declared goals. Companies take various forms such as:

- voluntary associations, which may include non-profit organization
- business entities with an aim of gaining a profit
- financial entities and banks

A company or association of persons can be created at law as legal person so that the company in itself can accept limited liability for civil responsibility and taxation incurred as members perform (or fail to discharge) their duty within the publicly declared "birth certificate" or published policy.

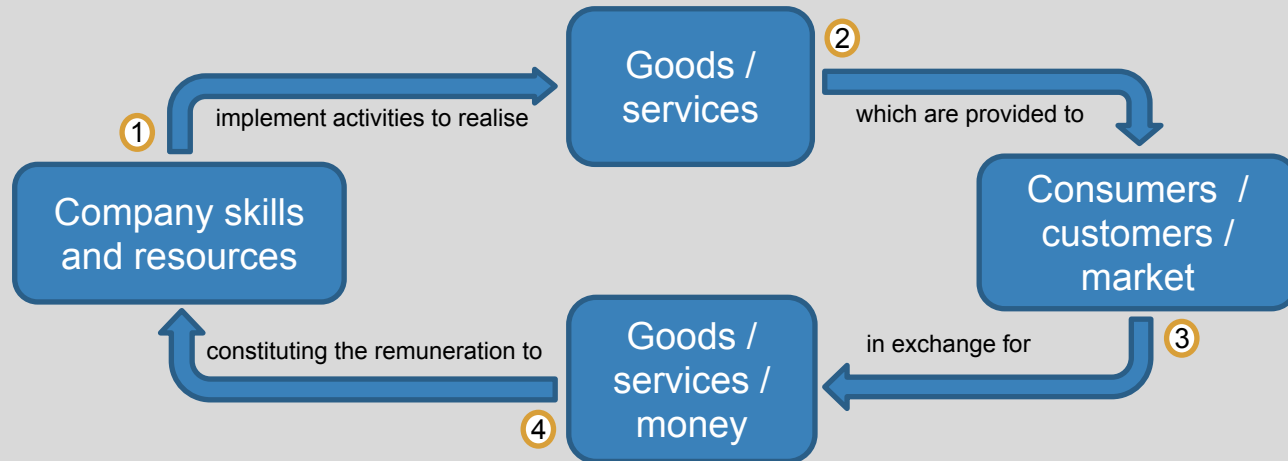
Companies as legal persons may associate and register themselves collectively as other companies – often known as a corporate group. When the company closes, it may need a "death certificate" to avoid further legal obligations."



How it works

In another way:

A business, enterprise, company or firm is a legal, economic and social entity (stable form of human organisation) using its collectively available skills and resources for realising goods and services and providing them to consumers in exchange for other goods, services or money.

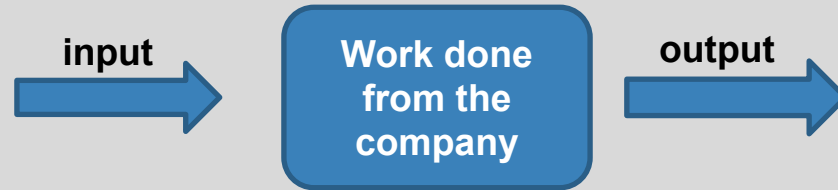




Value chain



Basics



- A company is basically focussed on creating economic value
- A company is a system which exploits available resources (cash, people, technology) to transform inputs (components, material, know-how, semi-finished products) into outputs (products, goods, services)



Company features

Legal person

Mission / objectives

- As an economic systems, the company has mission / objectives which may not necessarily coincide with those of single stakeholders

Structure

- Set of relatively stable relations within subsystems
- More or less formalised
- May evolve in time with incremental adjustments (adaptation or small modifications) or with discontinuities (restructuring)

Functions

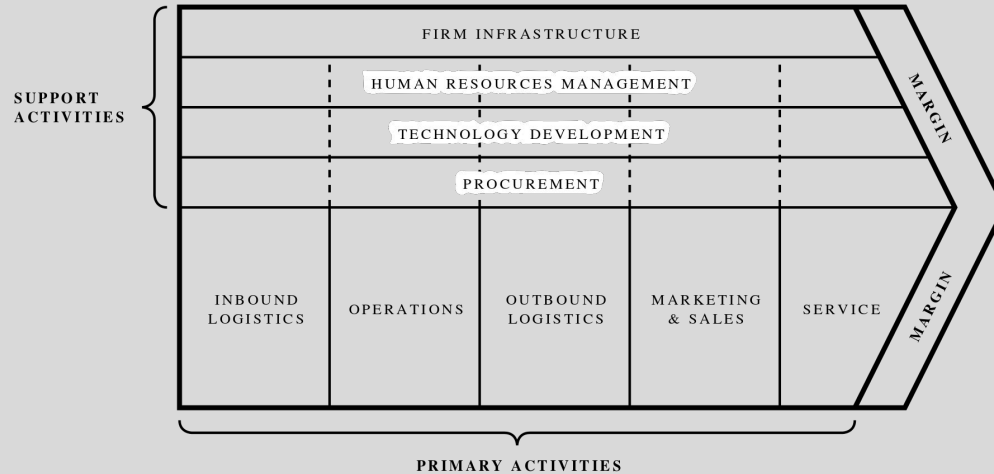
- Set of activities and tasks with similar characteristics which aims at fulfilling of business mission and objectives
- Derived on the basis of the objectives' breakdown



Porter's Value Chain

- The Value Chain disassembles a company into its major strategic activities, or business units
- Each business unit is a set of activities fulfilled to design, produce, sell, deliver and support the usage of goods
- The Value Chain is a representation of such activities
- It aims at understanding the costs drivers, the revenue sources, and the potential differentiation
- A company obtains a value added if it implements these strategic activities in a more economic or efficient way than competitors

Value Chain



- PRIMARY ACTIVITIES: directly engaged in the creation of the product or service, for selling and delivering them, or for after-sales services to customers
- SUPPORT ACTIVITIES: supporting primary activities by providing input, technologies, human resources, etc.



Primary activities

- Inbound logistics: arranging the inbound movement of materials, parts, and/or finished inventory from suppliers to manufacturing or assembly plants, warehouses, or retail stores
- Operations: concerned with managing the process that converts inputs (in the forms of raw materials, labor, and energy) into outputs (in the form of goods and/or services)
- Outbound logistics: is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user
- Marketing and sales: selling a product or service and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large
- Service (or after-sales): includes all the activities required to keep the product/service working effectively after it is sold and delivered to the buyer



Support activities

- Infrastructure: consists of activities such as accounting, legal, finance, control, public relations, quality assurance and general (strategic) management
- Human resources management: consists of all activities involved in recruiting, hiring, training, developing, compensating and (if necessary) dismissing or laying off personnel.
- Technological development: pertains to the equipment, hardware, software, procedures and technical knowledge brought to bear in the firm's transformation of inputs into outputs.
- Procurement: the acquisition of goods, services or works from an outside external source



Organizational structures



Make or buy?



Closed Innovation

Internalize to
control: MAKE

Advantage:

minimize
dependency

Disadvantage:

lack of flexibility

Open Innovation

You cannot do it
on your own: BUY

Advantage:

total flexibility

Disadvantage:

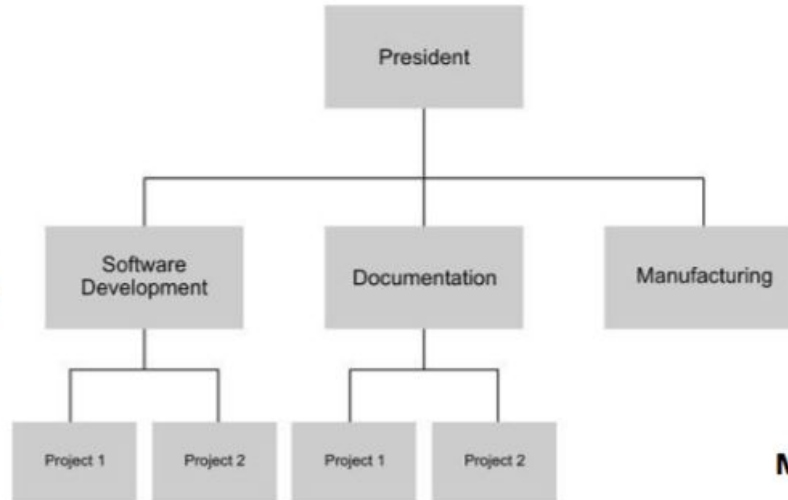
instability

Trade-off

Functional organization/1



Vertical / Bureaucratic organization



Functional Organization

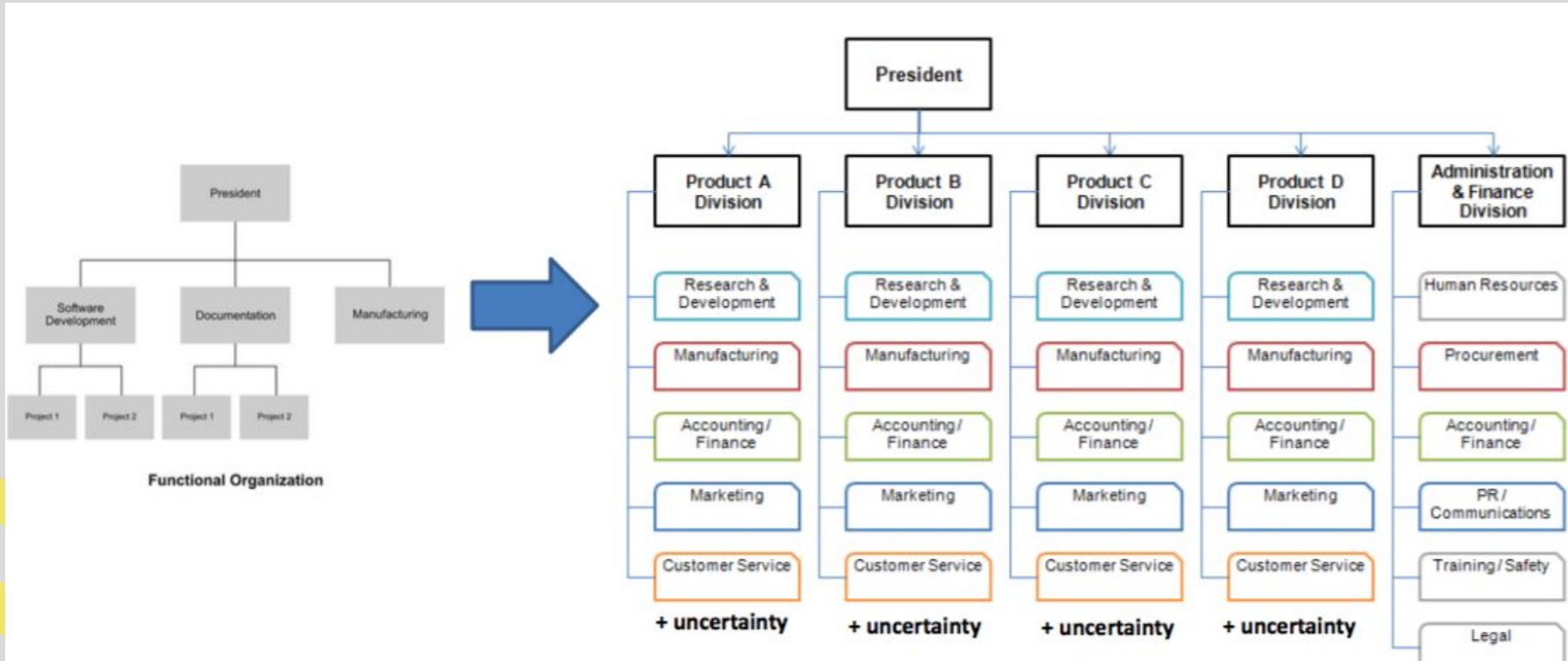


Functional organization/2



- Aggregation of tasks dealing with similar technical issues / functions to share the information processing work
- It is managed top-down
- R&D push
- Few decide what needs to be done (either R&D or Marketing Top Managers)
- High control
- Lack of flexibility

Divisional organization/1



Divisional organization/2

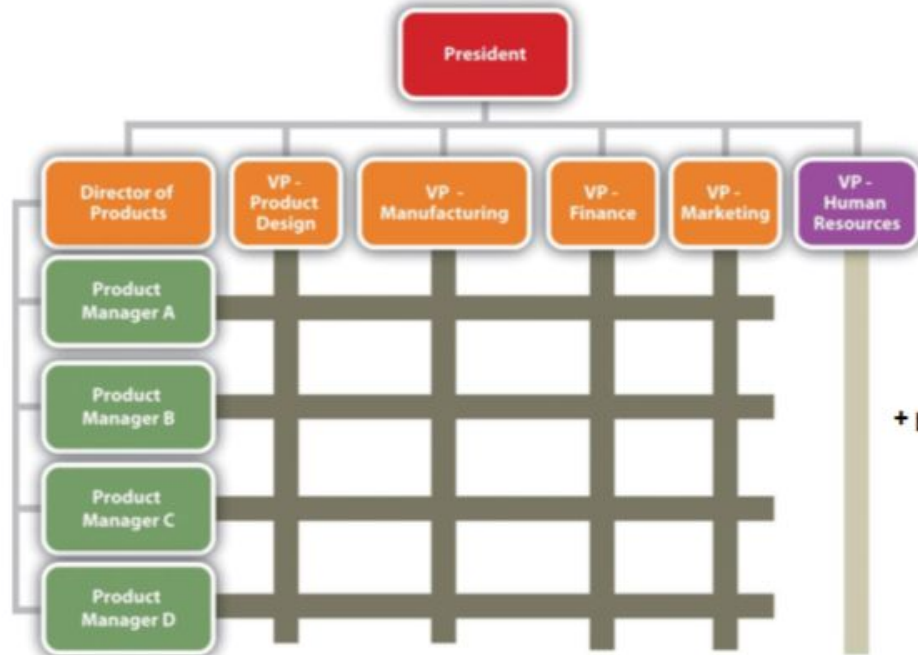


- Uncertainty is driven by customers and products (aggregation of tasks dealing with similar product lines)
- Still top - down decision chain
- Market pull
- More flexibility
- Heavy redundancy

Matrix organization/1



Sample Divisional Organizational Structure



+ product uncertainty

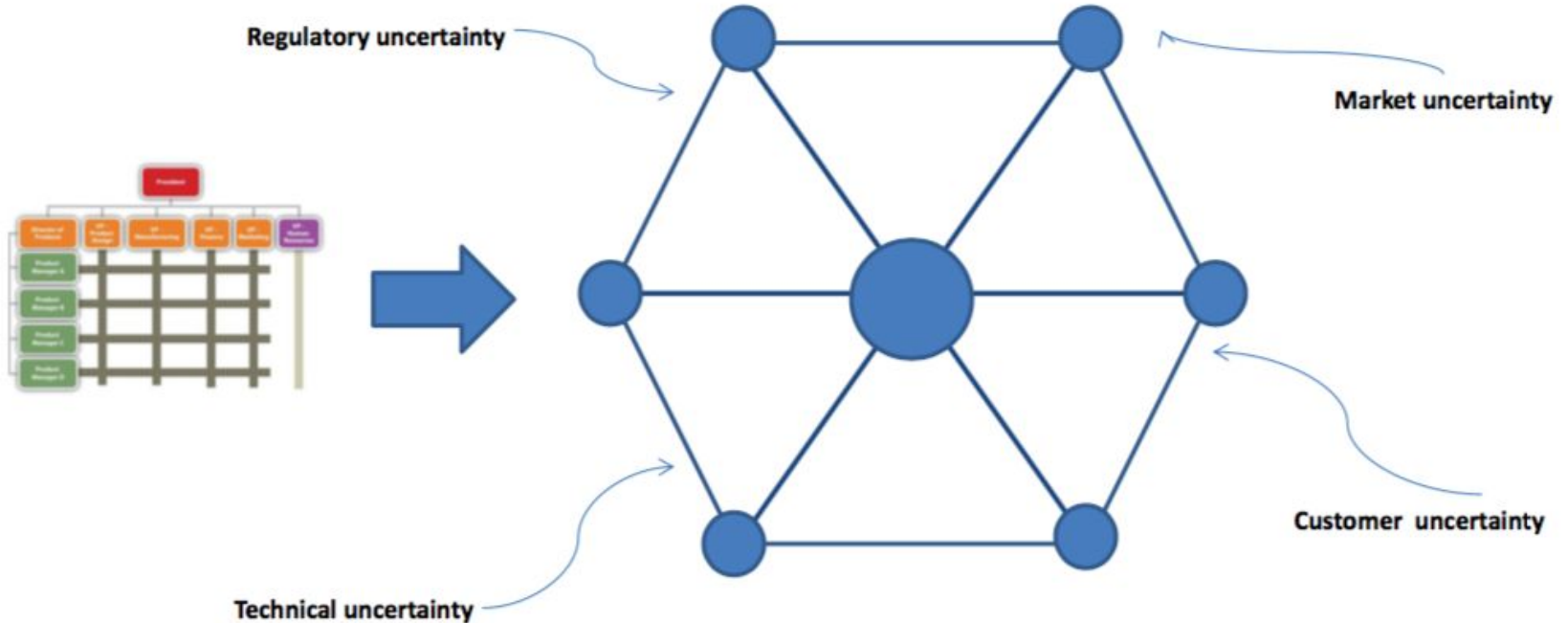
+ functional uncertainty

Matrix organization/2



- Uncertainty is driven by both functions and products (aggregation of tasks dealing with similar product lines)
- Shared resources
- Double line of command

Constellations or Networks/1



Constellations or Networks/2



- Organized around complex products, projects and tasks
- Focus on the core, outsource non-core
- Different level: Internal, Stable, Dynamic, Market (?)
- Lack of control
- Open Innovation driven

Spaghetti organization/1



Spaghetti organization/2



- No hierarchy
- Knowledge intensive
- Information based
- Oticon case study (Denmark, 1988): no job titles, no desks, no roles, no projects.
- Emerging organization

And what about innovation?



Make sense of the “**Environment**”

- adapt your organization to its features
- ask yourself if these are given, to be explored or they can be manipulated

Your capacity to innovate depends on your capacity:

- to transform the **environment**
- and to shape it according to your world view
- ...to “freeze” it once you shaped it



Next steps

- IBICT group 2 Battle preparation → Monday 21st of October, 13:30 @ A205 (participants shall receive mail soon)
- Next class → Monday 21st of October, 14:30 @ A205
- Whoever wants: “skill sharing” (where and when?)



Thanks!



References



- Definitions elaborated from Wikipedia pages and dictionaries
- Porter, Michael E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. New York: Simon and Schuster. Retrieved 9 September 2013
- Revised course material “Economia e organizzazione aziendale - Ingegneria Meccanica UNIUD” from M. De Bona
- Oticon case study (Denmark, 1988)



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