



UNIVERSITAS INDONESIA
Yogyakarta, Indonesia

FEB

Scaling a Startup: People and Organizational Issues

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Empowered Culture
Organizational culture refers to the shared values, beliefs, and behaviors that characterize an organization. It is the 'personality' of the organization, and it can be a powerful force for change and innovation.

Introduction
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By organizational architecture we mean the totality of a firm's organization, including formal organization structure, control systems and incentives, processes, organizational culture, and people.
- First, the different elements of a firm's organizational architecture must be internally consistent.
- Second, the organizational architecture must match or fit the strategy of the firm. Strategy and architecture must be consistent.
- Third, the strategy and architecture of the firm must not only be consistent with each other, but they also must be consistent with competitive conditions.

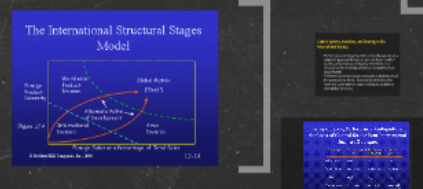
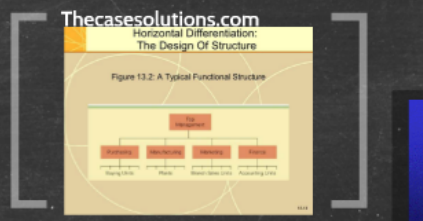
Figure B.10 Organization Architecture



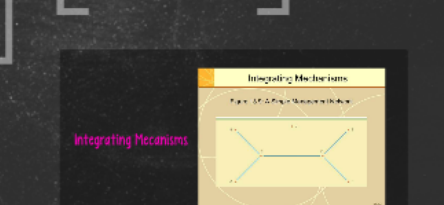
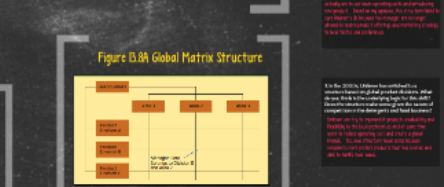
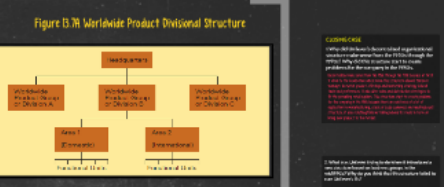
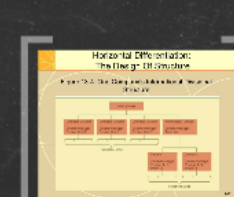
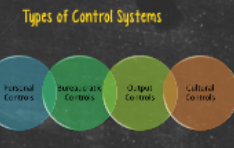
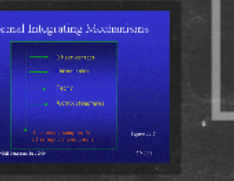
Organizational Architecture
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Control Systems are the metrics used to measure the performance of subunits and make judgements about how well managers are running those subunits.
- Incentives are the devices used to reward appropriate managerial behavior.
- Processes are the manner in which decisions are made and work is performed within the organization.
- Organizational culture refers to the norms and value systems that the employees of an organization share.
- People not just the employees of the organization but also the strategy used to recruit, compensate, and retain those individuals and the type of people they are in terms of their skills, values, and orientation.



Integrating Mechanisms
- Higher-level managers responsible for achieving coordination can soon become overwhelmed by the volume of work required to coordinate the activities of various subunits, particularly if the subunits are large, diverse, or geographically dispersed.
- When this is the case, firms look toward integrating mechanisms, both formal and informal, to help achieve coordination.
- Strategy and coordination in the international business
- Formal integrating mechanisms
- Informal integrating mechanisms: knowledge networks



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Synthesis: Strategy and Architecture
The nature of the firm's strategy and architecture must be consistent with each other, and they must also be consistent with competitive conditions.
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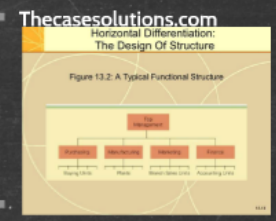


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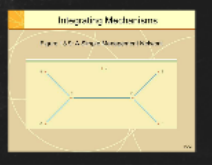
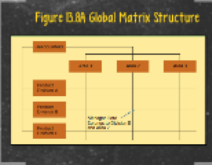
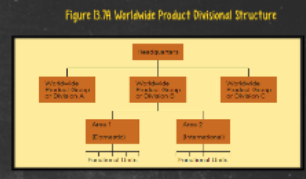


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- Strategy and coordination in the international business
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Incentive Systems
- Many employees receive incentives in the form of annual bonus pay. Incentives are usually closely tied to the performance metrics used for output control. The type of incentive used often varies depending on the employees and their tasks.
- One way of encouraging the managers to cooperate is to link incentives to performance at higher levels in the organization. Thus, the bonus managers of the country subsidiaries and global product divisions might be rewarded according to the profitability of the entire firm.
- The goal is to encourage employees to improve the efficiency of their units and to cooperate with other units in the organization.



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Synthesis: Strategy and Architecture
The nature of the firm's strategy determines the nature of its organizational architecture. The firm's strategy and architecture must be consistent with each other, and they must also be consistent with competitive conditions.

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Year	Revenue (USD)	Profit (USD)	Employees
2010	100	10	100
2011	200	20	200
2012	300	30	300
2013	400	40	400
2014	500	50	500

- organization
- Reward strategies
- Socialization processes
- Communication strategy

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Organizational Structure

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- Organizational Structure can be thought of in terms of three dimensions:
 - Vertical differentiation, which refers to the location of decision-making responsibilities within a structure.
 - Horizontal differentiation, which refers to the formal division of the organization into subunits.
 - Integrating mechanisms, which are mechanisms for coordinating subunits.
- Vertical Differentiation: centralization and decentralization.
 - Arguments for Centralization
 - Arguments for Decentralization
 - Strategy and centralization in an international business

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Figure 13.10 Organization Architecture

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Horizontal Differentiation: The Design of Structure

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The Structure of
Domestic Firms

The International
Division

Worldwide Area
Structure

Worldwide
Product Divisional
Structure

Global Matrix
Structure

Horizontal Differentiation: The Design Of Structure

Figure 13.2: A Typical Functional Structure



Figure 13.3A Typical Product Divisional Structure

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