**Strategic Managemet for Competitive Advantage**
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**Lecture 32**
**Boundaryless Organization**

Welcome to the course Strategic Management for Competitive Advantage. We are continuing the strategy and structure. Today we will be talking about Boundaryless Organizations.

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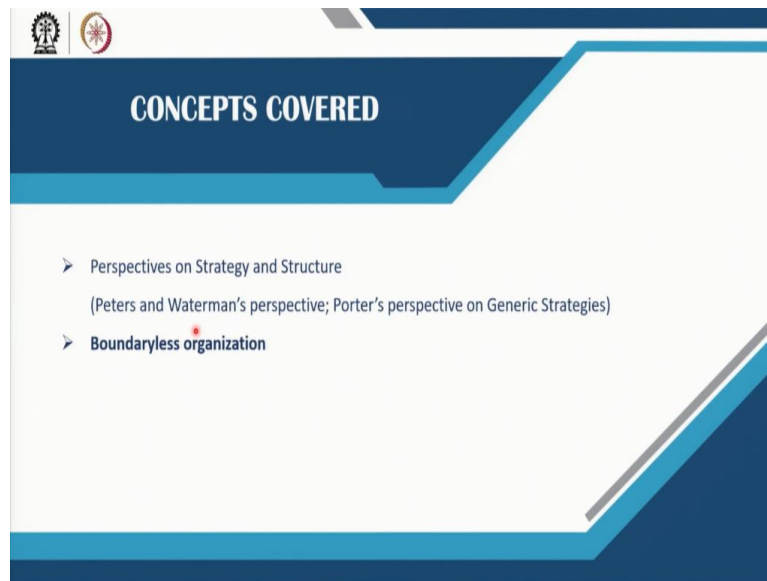


The concepts that will be discussed in this lecture are the perspective on strategy and structure as you know, we have already discussed different types of structures for organizations like functional structure, then your product division structure, matrix structure, and simple structure.

So, we will be talking about that there are some perspectives like Peters and Waterman's perspective and Porter's perspective on the strategy structure. Then we will be covering boundaryless organizations. What it is and how it works. How to go the way forward. We will be discussing that.

As we have already discussed extensively different types of structures organizations form. So, we will just summarize all those things from the previous lecture, we will have a brief discussion on forms of organization. What is an ideal organization design? There is no ideal organisational design.

So, there is no ideal organization design because the requirements for the organizations are as per your specific environment and what you are working and it depends on the characteristics of your internal characteristics of organization. So, there is no ideal organization design. So, what is a universally applicable rule for matching strategy and structure?

Similarly, there is no universally applicable rule for matching strategy and structure. One strategy, not one structure may have worked well in one strategy. That does not mean the same structure will work well for a similar strategy. There is no guarantee for it. It has been observed that same, a similar strategy has worked in two different companies with two different structures. It has been observed that it is also true.

Therefore, we cannot (say) that there are any universally applicable rules that are not there. Then this environment is always dynamic, that structure is also the nature of strategy and structures are dynamic. It depends on the environment. As I said that even a strategy which has worked in a certain structure in one organization might not work well again in future in the past that has worked, now, the same organization's same structure for a similar strategy may not work.

It has been observed that. Because if there is a dynamic nature between strategy and structure. The changes in customer-product-technology-relationship. Does it have any bearing on structure? It does have some bearing on the structure. It has been seen that the changes in customer-product-technology-relationship can make one structure obsolete.

There is no requirement for that structure. So, you will find in Proctor and Gamble, they use, many companies you will find, GE, the different times different sort of structures they have worked on. That is because the dynamic nature of this strategy structures relationships. And it is always found that de-layering is helpful in any design, organization design or in organizational structure. Because if you delay, it speeds up your decision-making, speeds up your activities, and it removes the inefficiencies. So, delayering always is helpful. And there should be the restructuring of an organization should come to a logical conclusion.

Many organizations do restructure exercises, but they fail to implement that because implementing a restructuring exercise requires a lot of changes lot of shaking in the organizations and there is wasted interest in the organization, there may be many quarters those will oppose the restructuring because of fear of disbalance, fear of uncertainty, fear of losing that power, even it does not only come from the employees or the lower employees or the trade unions.

It even comes from the powerful directors' level because, for restructuring, some directors' powers may be reduced. So, they oppose it. So, it has many dimensions. As a result, if the CEO is not very strong, the restructuring cannot be implemented. So, in one organization I know, there they did extensively that restructuring exercise by a consultant that is the top consultant in the world. You must have to know the name. So, they did it.

Consultant after extensive study for over a year they have put the report. Now, the CEO could not implement it for fear of that opposing things from different quarters. Even came the differences, the opposing came from the board members in that government appointed this. So, he and the CEO was very gentlemanly. He wanted a democratic process of moving. So, it could not be done, but the next CEO comes.

The next CEO is very dashy, he is a pushy type. So, what he did do? He had said see this report was developed by the best consultants in the world and you agreed on it that time, and the report was done after consulting all the quarters in the organizations. Now, we are going to implement it. And nothing, he implemented it. Whatever obstacles came he bulldozed. So,

it should be a logical conclusion, and the restructuring was done successfully. These are some of the brief discussions on firms. Now, that firms of organization.

Now, I will further discuss some perspectives of this organization firm. One is called Peters and Waterman's perspective. They (say) they have studied extensively all the excellent companies of the USA, and they concluded that large companies usually follow a complex structure. If large companies usually follow a complex structure. As the business grows, there is a tendency for the structure should also be a complex one.

Generally, it has been found that. And the matrix structure is logical, it looks very preferred choice. Suppose, if you (say), you have multiple technologies, multi-plant, multi-product, multi-locations. So, you need a structure like a two-by-two matrix of dual authority, we have seen it. Dual reporting itself is very stressful.

So, if you go by three by three, it will be a hell of a sort of thing. So, matrix structures are very confusing, and it creates ambiguity. It also does not create; efficiency is lost. It becomes a bit slow. So, on paper, logically, its matrix structure may sound good, but the matrix structure should be avoided.

Excellent companies in the world generally follow the product division structure. Because of product division structure what happens? You keep the same group of businesses under one roof, the same group of products under one roof. So, you take the decision-making for the implementation of strategy is easier.

And excellent companies generally have product divisions. And product division structures are the basic building block of successful or excellent companies, the product division structure. And it is always recommended to go for a simple structure. Simple structures give you efficiency, gives you if manageable, is very, it can be controlled. Some companies you will find they, if they, the organizations, this group grows they break it in the product wise.

And in one product, they have one company (say). And a subsidiary company under a group. So, they control it very efficiently and the subsidiary company report to the group head. Similarly, this is a simple structure and becomes very efficient. The effective structure has loose-tight properties. What is it?

Generally, effective structure, you empower the employees, you empower not only the employees, stakeholders, maybe the suppliers, you have faith in them, empower them. So, you do not have supervision, not you keep fewer supervisions. When you empower them, they are motivated to do the work on this.

So, you do not supervise, and it is. So, your thing becomes loose to them, and you become loose. But you become tight. Suppose many Japanese companies do it. Like suppliers, they believe. They do not check the bills; they just pass the bills whatever the supplier has submitted because they trust them. But, once that trust is breached, suppose, then you become very hard on it if your belief has been breached. So, you have a hard on that supplier. They may be blacklisted.

Similarly, you are not supervising your employees, you have empowered them to do their work if they breach that faith, you become very tight on them, and you take action. So, that is effective, structures have loose, tight properties. Then it is also found that excellent companies have lynched up at headquarters like they have decentralized many things to the work that work centres, managers, their things.

There are many companies are like this. So, the staff at the headquarters are very near, they are only giving, doing the corporate services and nothing more. So as a result, overhead costs for these subsidiary companies, that these companies are very less. So this is called Peter and Watersman's perspective on strategy and structure.

Similarly, there is Porter's perspective on strategy and structure which we have talked about it. What is Porter's perspective? We have talked about the generic strategies of Porter. What

are those? Those are overall cost leadership, differentiation and focus strategy and combinations of these, focus differentiation focus cost leadership.

So, these strategies require certain requirements. We have talked about how overall cost leaderships require centralized control and centralized reporting of the cost. Efficiencies are monitored very strictly, and financial reporting is done very frequently. So, these are the requirements, they work in those centralized control structures.

Whereas in differentiation strategy, you decentralize the power, you delegate the power, the corporate powers to choosing your strategy by the working managers, the regional managers or whoever in the plant levels. And the focus strategy also combinations these two. So, these are Porter's perspectives on strategy and structure we have talked about.

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Next, we will be talking about boundaryless organizations. Boundaryless organizations, who is the originator? Jack Welch of General Electric is the originator of this term. This term was coined by the then-CEO of General Electrics. It was Jack Welch's vision that GE would be like this in the future. He has coined it. Then, what are the ways to move towards boundaryless organizations?

The ways to move to boundaryless organizations are (say) outsourcing, strategic alliance, then it is re-engineering, restructuring or the product-team structure these are the ways to move towards boundaryless organizations. I will just write it down for you that it is outsourcing, as I told you, outsourcing, strategic alliances, then restructuring, then re-

engineering and product-team structure. These are the ways to move towards boundaryless organizations.

Now, next, what are the drivers for boundaryless organizations? Drivers of boundaryless organizations are technology, especially the internet, with the Advent of the internet, this has propagated. The boundary-less organizations, you will find, it has prospered with technology and the internet. So, these are the drivers for boundaryless organizations, especially the internet.

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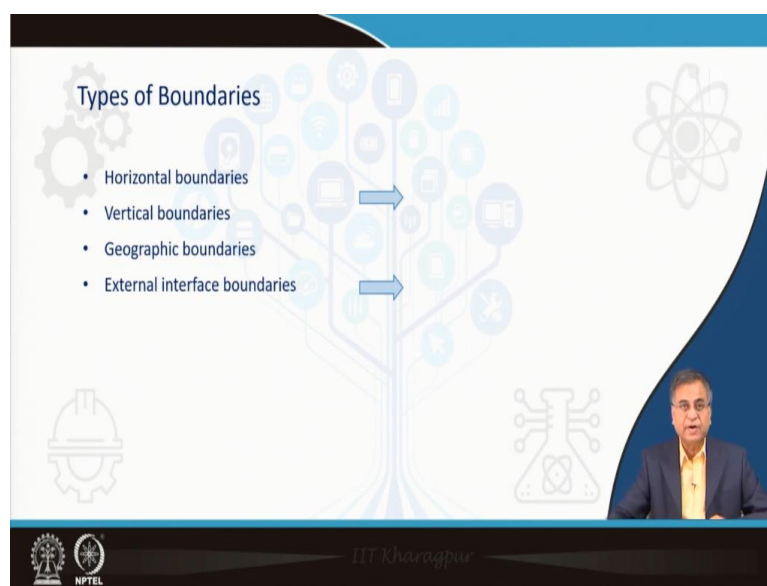


Next, we will discuss what the types of boundaries are. We must know before going further. The types of boundaries are (say) there are horizontal boundaries, vertical boundaries, geographic boundaries, and external interface boundaries. What is the horizontal boundary?
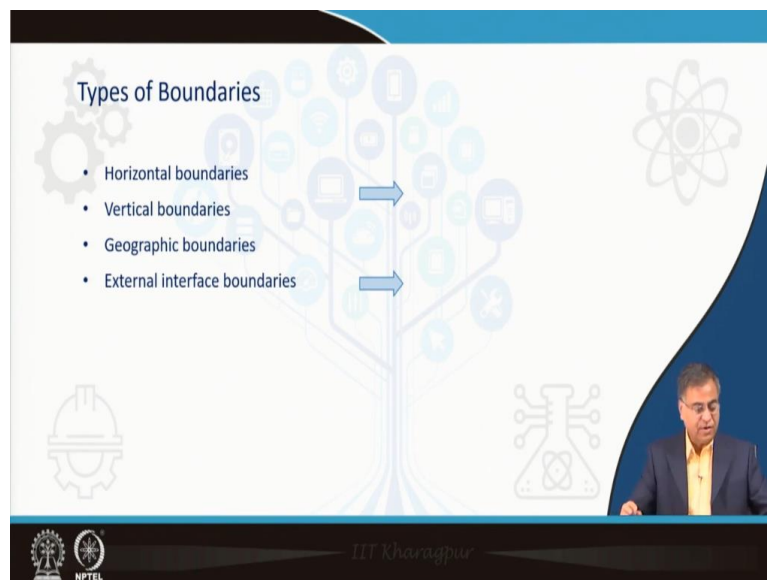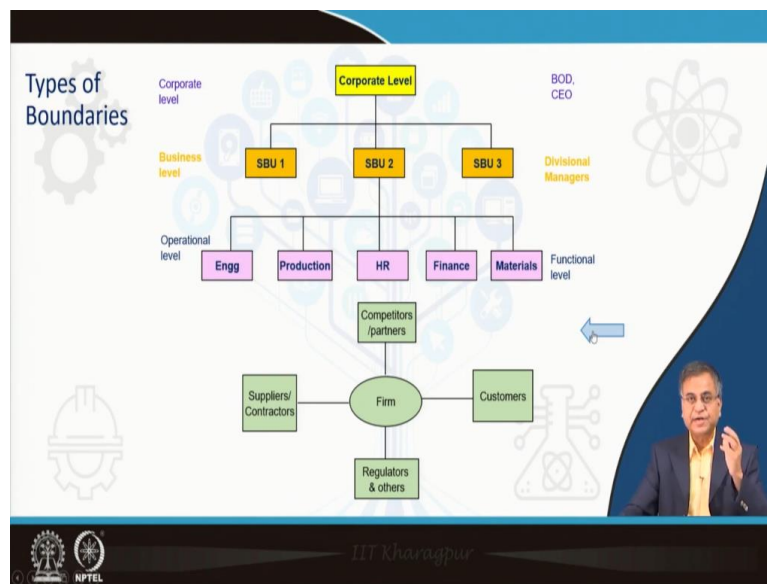
The horizontal boundary is (say) this is an organization. Horizontal boundaries are what? This you go from the different departments, the engineering, production, HR, Finance, marketing, these are all horizontally, so, these you move from one this operational or functional area to another functional area horizontally, you bridge has a boundary, you just cannot interact directly with them. So, these are the horizontal boundaries.

So, what are vertical boundaries? Vertical boundaries are from different levels of management like there are corporate level and (say) divisional or business level, divisional manager between the CEO and divisional managers. This is a vertical boundary between the functional level or operational level managers to divisional level managers. There is a, there

is a vertical boundary, you can, that is the hierarchies there. So these are called vertical boundaries.

So, there may be these are the horizontal boundary and vertical boundary. Similarly, there may be a geographic boundary. What is the geographic boundary? Your plant may be in a different geographical area, it may be in a different country, or it may be in a different region of the world. So, these are limiting you, those are your geographic boundaries.

Then there are also internal interface boundaries of an organization. What is this external, sorry, this is the external interface of boundaries. What are these? These external interfaces are (say) your firm with your external interface with your suppliers, contractors, your customers, your partners, and even your competitors, you have all those boundaries.

Then there may be the regulators and others, many others. So, these are your external interface boundaries. So, these are the types of boundaries we are talking about, and an organization generally have. And it limits the movement of how to go from one department to another, one level to another, one geographical area to another, and one external entity to another, all these are that way.

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So, now, we will be talking about boundaryless organization design. How do you do that boundaryless organization design? So, there are three types of ways to do this boundaryless organizational design. The first is called barrier-free organization. What is barrier-free organization and how do you design it?

Barrier-free organization design is done in which the firms bridge the differences in cultures, functions, and goals to find a common ground them. Common ground to facilitate information sharing as well as any other firms of Cooperative behaviours. This is a barrier-free organization.

The purpose of a barrier-free organization is not to disappear the internal and external boundaries of the organization, it is to make those boundaries more open and permeable. That way you can improve the efficiencies of the organization. For example, in these barrier-free organizations, you will find small technology firms. They have done away with many of these internal and external barriers not done away with they have made it more open and permeable. This is a barrier-free type of organization.

Another boundary-less organization I told you, it is called modular organization design. What is modular organization design? Here in this design, the non-vital functions are outsourced, tapping the knowledge and expertise of best-in-class suppliers. So, what does it mean?

For that, for that how do you find, what is to be outsourced, you outsource the non-vital functions. How do you find it? Through value chain. With the value chain, you can find out what are your primary activities, what are your secondary activities, what are your strength and competence, and what are you lack in competence, from there you can identify (say) you give logistics for (say), outsourcing, you give (say) finance and accounting for outsourcing, you choose that way. So, these are modular organization.

But mind it. I have not told you one important thing. While you give these outsource to the best-in-class suppliers. But you retain the strategic control. That is important. The organizations retain the strategic control of whatever they are outsourcing that is to be retained. (say) take the case of Nike and Reebok. They are in the footwear Industry.

Nike and Reebok are the world the leading footwear company, but Nike has very few plants of its own and Reebok has no plants of its own. It does not own any plant, but they are a giant in the footwear industry. What do they do? Their core competencies in designing footwear and marketing high-tech footwear and fashionable footwear.

So, they get this, their design, and there they go to the countries like China, and Vietnam, where wages are very low wages are low, and they give their design contract to those companies, and they do not have to invest anything for the plants. Therefore, they get huge

profitability. Even if they increase their market share a little bit the profitability will be enormous because they are not investing anything in the plant. So, this way they go for it.

Now, over the years, these suppliers in China, and Vietnam, these suppliers have grown up their capability, and they are grown up their knowledge and expertise for producing that footwear. So, they have become experts in it. So this is called modular organization design. Like here, you tap the knowledge of your best knowledge and expertise of the best-in-class suppliers without retaining strategic control.

Then the next one is called virtual organization. What are virtual organizations? In these organization, it is a continually evolving network of independent companies that are linked together to share their skills, to share their cost and access one another's a competitive market. And these virtual independent companies may be anyone.

It may be your suppliers, it may be your customers, and even it may be your competitors. They come for a cause. So, virtual organizations are temporary organizations, in fact. It is not permanent in nature. They come for some interest. They come for some objectives, common objectives. They share their skills. They share the cost. And in a way what happens?

The cumulative or the total output they get from sharing with each other is more than that what they could have got if they worked only independently. So, a synergic effect is there. So these are called virtual corporations or virtual organizations. It may be necessary; it may happen that different independent companies may have multiple alliances.

They may go for different, and at one point in time, they may have been different, with different independent companies can have their alliances it can go on. So, these are called virtual organizations or virtual corporations. These are some of the boundaryless organizational design people are going for it.
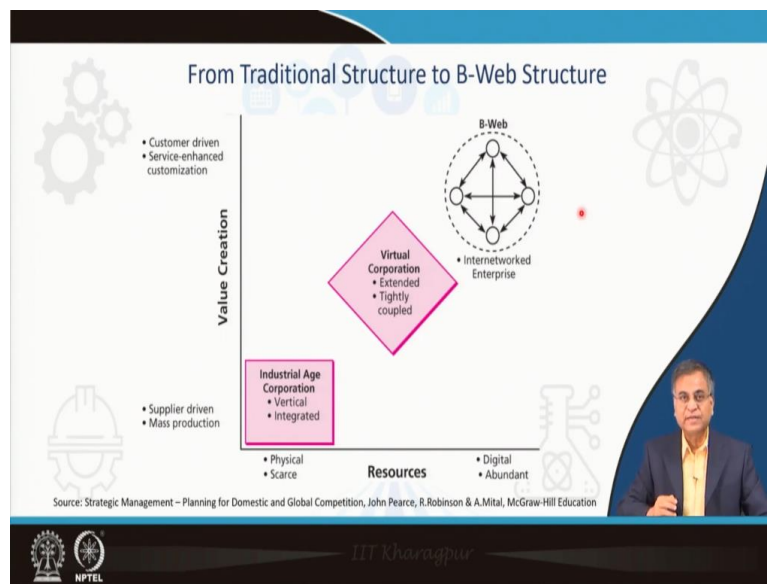
Now, next, we will be talking about that how we go from traditional structure to B web structure, web structure. This is, you just go through this diagram, I wand ill explain it. Look at this diagram. Here are the (say) resources and this is the value creation. So, if you see this Industrial Age Corporations like the companies, we are familiar with, big large companies you find over the, all over the world, those are generally, they require what, physical resources.

They have physical resources which are limited in nature and also this value creation is supplier driven. If you get the inputs then it may be vertically integrated corporations. And generally, it is done with mass production. These are things. Here, what is the structure of the organization is basically a pyramid structure wherein the CEO is at the top, and there are different layers in the pyramid and the bottom of the pyramid are those labourers and workers.

Now, we have been doing that ever since the layers are getting reduced. You are de-layering it in these organizations. This is the Industrial Age. Then we go for the virtual corporations. We have discussed what virtual corporations are. It is an independent company, they are linked together to share skills, costs, and access to one another's market. These are tightly coupled, this virtual corporation we have talked about.

The new age that is looks like more of a B business web structure. It looks like a web structure. Here, this is you will find small technology firms. There the resources are mostly

abundant digital resources. There is not much scarcity in that value creation is customer-driven, and service enhances customizations you do it. This here, what is it?
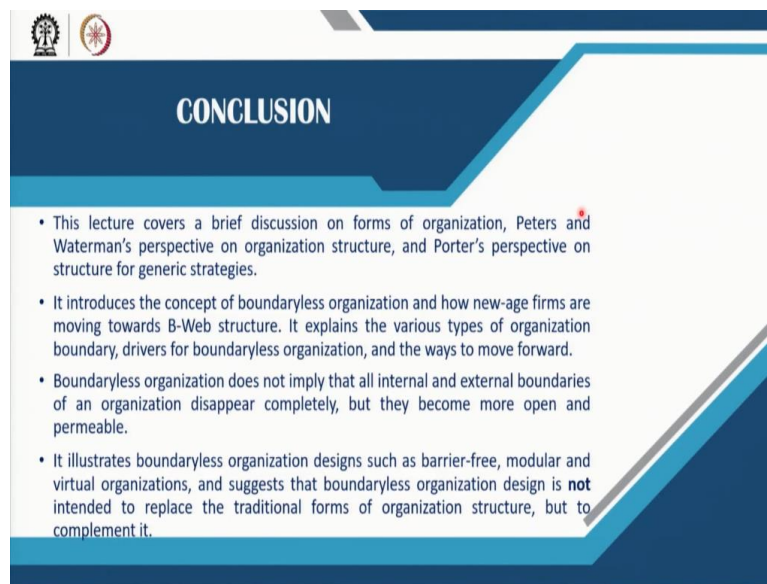
Here, no one company is the master of all. You do it in a cooperative manner. So, here, each company, independent company, your supplier, your customer, your partner, you give out outsourcing to the supplier, you give, even some companies give the manufacturing, as you have seen, Nike and Reebok, manufacturing also you give for outsourcing. So, what do you do?

Like even if you see Amazon or Uber, or Ola, those things are what? They do not own anything, but they are doing, working in this sort of B web structure, internetworked. These are generally internetworked enterprises. They look more like the web, and the future is also like these players will be growing. And they are the ones you outsource to whom?

You outsource to a person, to a company which is having better efficiency than you, that part of the work (say) R & D, you give outsourcing. They are better efficient than you. Logistics, you give outsourcing, they are more efficient than you that is why you are giving. So, in the future things will be like this.

But one thing, the purpose of these virtual organizations or the B webs is not to not to replace the traditional form of organization. It is more of complementing the traditional form of organisational design. So, it is not to replace, keep it in mind. The purpose is always to complement them. These are the B webs.

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To summarize today's lecture. What we have learned we have learned about and we have discussed a brief discussion on forms of organizations. We have talked about Peters and Waterman's perspective on organization structure and Porter's perspective on structure for generic strategies.

We have also introduced the concept of boundaryless organization and how new-age firms are moving towards a B-web structure. It also explains the various types of organisational boundary—drivers for boundaryless organizations and the ways to move forward. We have also learned that a boundaryless organization does not imply that all internal and external boundaries of an organization disappear completely.

But they become more open and permeable. We have also learned that it illustrates the boundaryless organization design such as barrier-free, modular and virtual organization and suggests that boundaryless organization design is not intended to replace the traditional form of organization structure but to complement it.

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1. Exploring Strategy – Text and Cases, Gerry Johnson, Richard Whittington, Kevan Scholes, Duncan Angwin, and Patrick Regner, Pearson, 10th edition.

2. Strategic Management – Planning for Domestic and Global Competition, John Pearce, R.Robinson and Amita Mital, McGraw-Hill Education, 14th edition.

3. Strategic Management – Text and Cases, Dess, McNamara and Eisener McGraw-Hill Education, 8th edition.

So, these are some of the references you can go through and can enhance your knowledge further. Thank you for attending.