

Center for Human Resources and Labor Studies  
Carlson School of Management  
University of Minnesota

## **HRIR 6401: Organizational Theory Foundation of High-Impact HRIR**

Spring A 2018

*Monday & Wednesday, 9:55 - 11:35 AM, CSOM 213*

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### **Introduction**

Managers face the challenge of managing effectively in a rapidly-changing environment that has no geographic boundaries. They need to figure out how to adjust and respond to:

- Rapid technological change
- Increased complexity in the market
- Climate change and the environment
- Rising diversity in the workplace and society
- Uncertain global environment
- Demands for ethical management and corporate social responsibility

One important way in which companies adjust and respond to these challenges is through organization design (structure/architecture). How much decision-making authority should be given to various units and individuals? Should the company be centralized or decentralized? Should the company provide strong or weak individual incentives, and to what should incentives be linked? Should units and employees be monitored closely, or only periodically and loosely? How should allocation of decision-making, incentives and monitoring be linked?

Different companies choose different solutions to the problem of organization design. For example, Apple uses a centralized decision-making with high pay and relatively weak incentives, but strong monitoring. Other successful companies are more decentralized and rely more on performance pay, such as Pearl Automation, established by ex-Apple employees. Some companies choose their organization design on the basis of formulaic answers contained in “best practices” and fads; this may be tempting, but this may not be good because it may be best suited to a company’s specific circumstances. To make a positive difference and create *competitive advantage*, managers must analyze

complicated facts and prescribe creative solutions that suit the organization's specific circumstances, opportunities, strengths, weaknesses and business strategy.

**The principal goal of this course is to acquire fundamental understanding of what managers can do to make organizations gain competitive advantage through organizational design.**

### **Course objectives**

1. Provide an introduction to the complex relationship between an organization's design/architecture/structure, behavior and performance
2. Understand how these relationships depend on company strategy, technology, size and other contingencies
3. Connect and integrate knowledge from other courses
4. Think critically about the organization in its entirety and about the role of impactful HR

We will pursue these objectives by studying theoretically how to design an organization's design and by analyzing the design of actual companies. Students' case studies/company audits will analyze in depth individual organizations.

Each class will consist of approximately 50% lecture; the rest of the time will be spent in general discussion and group and individual exercises. **Please read the material in advance** – this is a condition for learning in this class. Please sit next to you group members to facilitate discussion.

### **Required readings**

James A. Brickley, Clifford W. Smith and Jerold L. Zimmerman, *Managerial Economics and Organizational Architecture*, McGraw-Hill Irwin.

### **Suggested readings for week 4 & 5**

- [Uncertainty, Task Environment, and Organization Design: An Empirical Investigation](#), Avner Ben-Ner, Fanmin Kong and Stephanie Lluís, *Journal of Economic Behavior and Organization*, 82(1), April 2012:281-313 ([on my website](#)).
- [Preferences and Organizational Structure: Towards Behavioral Economics Micro-Foundations of Organizational Analysis](#). Avner Ben-Ner, *Journal of Socio-Economics*, 46, 2013:87-96 ([on my website](#)).

### **Case study/audit paper**

Material studied in the course will be applied to the analysis of actual companies. The class will be divided into teams. Each team will be assigned one of the following companies:

1. Microsoft
2. Exxon Mobil
3. Honeywell
4. 3M
5. Target

At the end of the course each team will present its case study in class and turn in a paper. All team members will receive the same grade for the paper and presentation. Each team member should participate in the presentation. The presentation will be 15 minutes long. At the end of the course, you will have an opportunity to evaluate the other members of your team for their contributions to the team's work.

### ***Sections of the case/audit paper and presentation:***

- I. Brief company history – about one page.
- II. Details of organizational design/architecture/structure – about 10 pages
  1. ***Company level***
    - A. Describe the business strategy
    - B. Organizational hierarchy: tiers and span of control
    - C. Unit grouping and divisionalization
    - D. Profit, cost and other accountability centers
    - E. Vertical integration and outsourcing
  2. ***Workplace level:*** focus on *one group of core employees*, such as assembly workers in a manufacturing plant and engineers in a software development firm, in one site (e.g., plant, store or division)
    - A. Describe the technology of production
    - B. Characterize the task environment
    - C. Analyze the workplace organization design (HRM system)
      - (a) Decision-making: delegation, teams and empowerment
      - (b) Compensation, incentives and rewards
      - (c) Monitoring, supervision and performance evaluation
      - (d) Recruiting
      - (e) Training
      - (f) Promotion and internal labor markets
- III. Critical examination of organizational design – about 4 pages
  - A. what are the strengths of the design?
  - B. what are the weaknesses of the design?
  - C. how would you improve the existing design?

Information about your company will be derived from multiple sources, including media articles, company documents, and interviews with employees of the company (if feasible), etc. Be sure to document the sources of information in your paper (i.e., include references).

The paper will be approximately 15 double-spaced pages in length and 12-point pitch.

**Problem set assignment** A problem set will be assigned. The assignment will be posted on the course Moodle site.

**Slides** Class presentation slides will be posted on Moodle 24 hours before class.

**Final Exam** Comprehensive, True/False, multiple choice questions, and brief essays. It will have an individual component and a team component, equally weighted.

### **Course Grading (100)**

- Team case study: Paper 20, Presentation 10, Team members' evaluation 5
- Problem set assignment 15
- Final exam 40
- Class attendance, class participation, and professionalism 10

**Turn off and do not answer your cell phone.** Laptop computers are welcome for use for class-related purposes such as note taking. Other activities are inappropriate.

**University of Minnesota Policy on Scholastic Misconduct:** Scholastic misconduct is broadly defined as "any act that violates the rights of another student in academic work or that involves misrepresentation of your own work." Scholastic dishonesty includes, (but is not necessarily limited to): cheating on assignments or examinations; plagiarizing, which means misrepresenting as you own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work. For more on Office of Student Conduct and Academic Integrity's policy on scholastic dishonesty, click [here](#).

**Incompletes:** Click [here](#) for University of Minnesota's policy on awarding incomplete (I) grade.

**Students with Disabilities:** Click [here](#) for University of Minnesota's policy on students with disabilities.

**Course outline and tentative schedule (Updated version will be posted on Moodle)**

<b>Week</b>	<b>Topics</b>	<b>Reading</b>	<b>Notes</b>
W1 1/17	Organization design/architecture: Basic building blocks and key concepts	Ch. 11	
W2 1/22 & 24	Decision rights: The level of empowerment and Information	Ch. 12	
	Decision rights: bundling jobs into tasks and jobs into units	Ch. 13	
W3 1/29 & 31	Getting people into the organization and keeping them, too: attraction, selection, hiring and retention	Ch. 14	
	Organizational goal-setting and alignment: incentives	Ch. 15	
W4 2/5 & 7	Individual and team performance evaluation	Ch. 16	
	Task environment and workplace-level design		
W5 2/12 & 14	Organization design with employees who are not just selfish but are somewhat altruistic, trusting and trustworthy		Problem Set Assignment Posted on Monday. Due Sunday 11:59PM
	Divisions and decentralization	Ch. 17	
W6 2/19 & 21	Vertical integration and Outsourcing	Ch. 19	
	Outsourcing Exercise & Change, innovation; organizational growth and life cycle		
W7 2/26 & 28	<b>Team Presentations</b>		Final Paper and PPT slides Due Wed 11:59PM
W8 3/5	<b>Final Exam</b>		