



Organizational Dynamics 2008 – 2009 Course Guide

Driven by Values

- **Honesty**, to ourselves, to each other, each and every time
- **Integrity**, our behavior, the manner in which we act is honorable, always
- **Accountability** - a promise made is a promise kept, we keep our promises
- **Respect**, the way we treat others, matters, and is a reflection of how we view ourselves
- **Determination**, we presume that nothing will happen unless we make it happen
- **Work Ethic**, we are not afraid to go above and beyond, we expect this from ourselves
- **Responsibility** lies within, the person most responsible for who we are, what we stand for, and where we're going is us
- We never stop **Communicating** respectfully with the people that need to know what we are thinking, regardless of whether they agree with us or not
- **Confidence** is the outcome of how we perform
- **Belief** in ourselves, in our ability to achieve, is dependant upon how confident we are
- **Mistakes** are part of our humanity, we acknowledge them, take responsibility for them, learn from them... and move on
- **Excuses** have no relationship to mistakes, we never make excuses
- **Inspiration** oftentimes comes from others, **Initiative** and **Motivation** belong to us
- **Life** presents us with a phenomenal opportunity to make a difference in the world, we intend to fully leverage that opportunity
- We control our **Destiny**, we embrace this responsibility each and every day of our lives



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Chapter 1 Organizational Dynamics

Pre-Work Reading & Study Guide

Key Learning Elements

- ▲ Companies set their people up to succeed by matching their skills and their potential with their job function
- ▲ Great companies are organized to leverage collaboration and teamwork
- ▲ A variety of job functions are performed in companies enabling them to operate efficiently and effectively
- ▲ If you decide to choose a career in business, there are a variety of job functions you can choose from based on your interests and talents

Introduction

Great companies take exceptional care to build an organizational structure that **sets its people up to succeed**. In addition, innovative leaders recognize that the world's economic climate changes rapidly. As a result, strategic and decisive changes to organizational structures are essential for survival and prosperity. Think of organizational dynamics as building a team of people that have clarity and perspective on how they need to perform - together, to achieve common goals.

Bill McDermott is the CEO of SAP Americas, Asia Pacific, and Japan - the company I work for. He consistently reorganizes our company in an effort to respond to both changing market conditions and emerging opportunities. In the last 5 years, he's added 3,000+



new employees and has created several new business units to focus on different market segments. Steve Ballmer, CEO of Microsoft Corporation, recently re-organized his \$52 billion powerhouse. Why? One reason is to respond to competitive pressures from companies like Google. Mr. Ballmer added management strength and resources to his on-line division to position Microsoft to compete aggressively with Google. The world we live in, not only the business world is in a constant state of flux and change.

You will begin this section by establishing a solid understanding of the fundamentals of organizational structure and the jobs that comprise it. We will then venture into the real world and study a real world company's organization in detail.

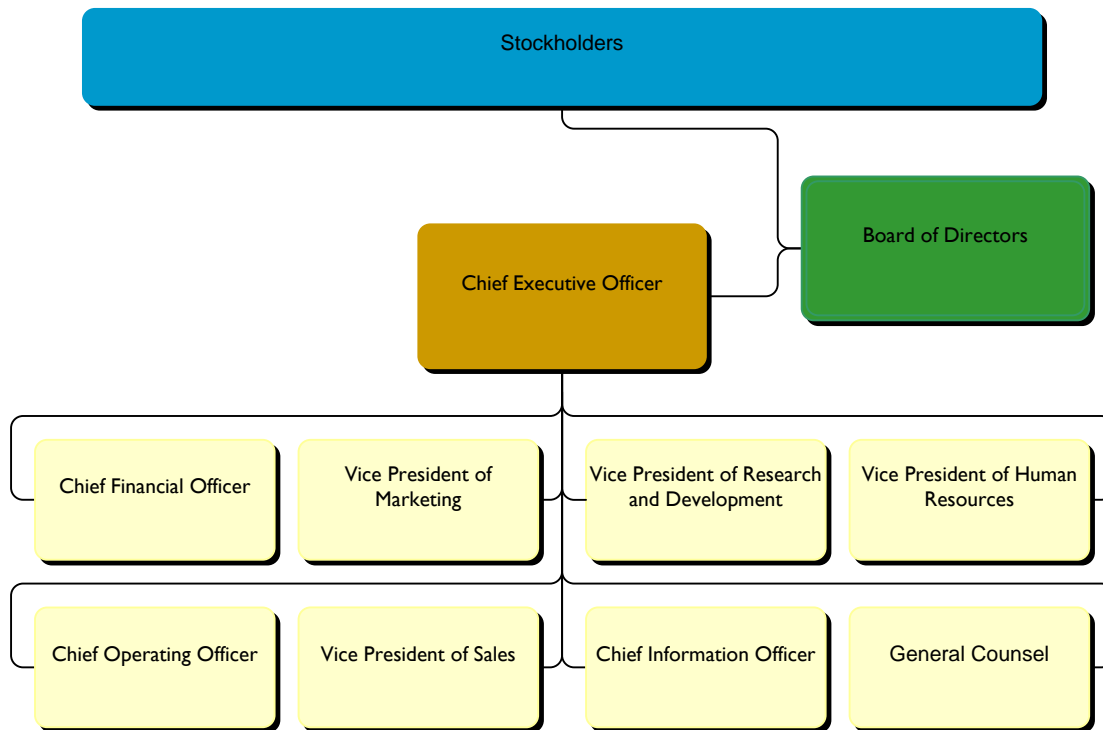
Common sense and judgment are important characteristics that should be applied when assessing Organizational Dynamics. Although job titles and job descriptions depict people's roles, they often do not tell the whole story nor do they always reflect how critical decisions move through a company.

The world of Organizational Dynamics is a fascinating one. In the many years I have been operating in business, I have never found two companies organized in quite the same way. Regardless of what career or profession you choose in your life, the knowledge of how organizations are weaved together will help you navigate and choose the job that is best suited for you.

One day, you might even find yourself in the fascinating position of trying to convince a Chief Executive Officer or the Board of Directors to make a critical decision. Moving them to say yes can be like working through an intricate organizational maze laden with trap doors, steep cliffs, and hairpin turns. Are you ready? Get energized, and let's get started.



Organizational Fundamentals and Job Functions †



A ‘Typical’ Corporate Organizational Structure

Typical is not the best way to describe the chart above however it will suffice for now. I mention this because you will discover a variety of job titles and functions as you venture out into the real world.

Nevertheless, this chart attempts to represent the structure of a publicly traded company. This simply means that the public at large can trade stock (ownership rights) on the open market for the company.

I hope to provide you with a solid foundation of knowledge as you become an expert in the world of organization dynamics. We’ll start the process by learning about stockholders.



Stockholders 🌐

Stockholders are the owners of a corporation. They have contributed cash or some other form of consideration in exchange for their ownership interest. For a publicly traded company, they sit at the top of the pyramid.

The phrase “I am taking my company public” simply means “I am dividing my company into chunks (shares of stock) and selling them to whomever would like to buy them (stockholders) on the open market”. If there are 10 total shares outstanding and you buy 2 of them, you own 2/10 or 20% of the company.

As companies grow and prosper, their value increases because more and more people want to own a piece of something that is successful. This popularity drives up the share price and competition develops to buy a finite number of shares, a phenomenon that brings a smile to face of a stockholder.

Later on, we’ll dig deeper into this topic (stock, value, ownership, share price) when we study financial metrics. For now, a stockholder is an owner of the company because of the stock he holds in that company.

Board of Directors 🌐

The board of directors is the group of people legally charged with the responsibility to govern a corporation. They are responsible to the stockholders and carry out several critical functions.

- ⤴ Determine the organization's mission and purpose
- ⤴ Select the Chief Executive Officer and review his or her performance
- ⤴ Ensure effective organizational planning



- ▲ Ensure adequate resources as well as manage corporate resources effectively
- ▲ Enhance the organization's public image

Chief Executive Officer → CEO

The Chief Executive Officer reports to the Board of Directors and is tasked to carry out the strategic plans and policies established by the Board of Directors. In the public's eye, the CEO is the leader of the corporation.

The CEO is responsible for a number of critical functions.

- ▲ Inspires employees to support the organization's vision, mission and purpose
- ▲ Directs and coordinates activities to achieve a profit and return on capital
- ▲ Establishes organizational structure and delegates authority to subordinates
- ▲ Looks to the future for new opportunities
- ▲ Serves as the unified voice of the corporation to the global community
- ▲ Makes key investment decisions and recommendations to the Board of Directors
- ▲ Oversees the operations of the corporation

Chief Operating Officer → COO

The Chief Operating Officer manages the corporation's operations by directing and coordinating activities consistent with the company's established goals and policies. The COO follows the direction set by CEO and the Board of Directors and implements programs to ensure the attainment of the business plan for growth and profit. In many cases, the COO provides direction and structure for each operating unit and participates



in developing policy and strategic plans. In many corporations, their will be a position labeled President and Chief Operating Officer.

It takes an exceptional person to be an effective COO. I think it's the toughest job in the company because it requires a tremendous breadth of knowledge across a wide variety of functions. Think about your high school for a minute. Freshman, Sophomores, Juniors, Seniors, teachers, coaches, administration, facilities – all layered on top of classes, sports, electives, assemblies – all governed by schedules, rules, policies, grades – all watched over by school boards, parents, the community – the possibilities and combinations are mind boggling! Who keeps it all straight, makes it all run?

It takes a person with great patience, knowledge, decisiveness, and dedication for sure. I've had the opportunity to meet some exceptional COO's from companies like Nike, Microsoft, and Boeing. They are the most talented and well-rounded people I have ever met. The one thread that runs through all of these people is their incredible ability to bring order to chaos.

Leo Apotheker is the COO of the company I work for. He speaks 5 languages including Dutch, English, French, German, and Hebrew. He travels over 300 days a year to every continent on earth keeping 45,000 employees and millions of customers productive and informed. If you aspire to be a COO someday, get ready to work! It's a tough, challenging, and highly rewarding job.

Chief Financial Officer CFO

The Chief Financial Officer directs the overall financial plans and accounting practices of the corporation and is often referred to as the “MONEY” watchdog.

The CFO carries a number of critical areas of responsibility.

- ▲ Directs the financial planning, budgeting, procurement, and investment activities



- ⤴ Advises management on short-term and long-term financial objectives, policies, and actions
- ⤴ Develops internal control policies, guidelines, and procedures for budget administration, cash and credit management
- ⤴ Oversees treasury, accounting, budget, tax and audit activities
- ⤴ Directs the preparation of financial statements, business activity reports, financial position forecasts, and annual budgets
- ⤴ Analyzes the financial details of past, present, and expected operations in order to identify development opportunities and areas of improvement
- ⤴ Coordinates the audits of corporate accounts and financial transactions to ensure compliance with state, federal, and global requirements and statutes
- ⤴ Performs tax planning and filing of all annual tax returns or prepare financial information so that outside accountants can complete tax returns

Vice President of Marketing

The Vice President of Marketing oversees a wide range of activities involved in making sure that the corporation meets the needs of customers with its products and services. At the same time, this individual is responsible for promoting the consumption of these products and services to the global market.

The VP of Marketing carries a number of critical areas of responsibility. Think about marketing in 2 categories - "inbound" and "outbound". **Inbound** marketing includes leveraging a variety of techniques to find out:

- ⤴ The specific groups of potential customers (markets) that might have specific needs
- ⤴ How those needs might be met for each group



- ⤴ How a product might be designed to meet that need
- ⤴ How each of the target markets might choose to access the product (its packaging)
- ⤴ How much the customers might be willing pay and how (pricing analysis)
- ⤴ Who the competitors are (competitor analysis)
- ⤴ How to design and describe the product such that customers will buy from the organization, rather than from its competitors (its unique value proposition)
- ⤴ How the product or service should be identified - its personality - to be most identifiable (its branding)

Outbound marketing includes:

- ⤴ Advertising and promotions
- ⤴ Direct marketing programs
- ⤴ Go to market planning – web commerce, direct sales force, distribution channel, wholesale, retail
- ⤴ Public and media relations
- ⤴ Monitoring and measuring customer satisfaction

In many cases, organizations jump to outbound marketing prematurely. As a result, they often attempt to push products and services into markets where consumers don't want or need them.

Vice President of Sales \$

The Vice President of Sales has as their primary responsibility the task of delivering the corporations revenue targets across all revenue streams and across all sales channels. The VP of Sales carries a number of other critical areas of responsibility including:



- ▲ Oversees the development of policies, procedures and objectives for selling the organization's products and services
- ▲ Sales staffing and sales training
- ▲ Generating leads
- ▲ Understanding customer requirements
- ▲ Building customer relationships
- ▲ Explaining product and service capabilities to prospective customers
- ▲ Ensuring that products and services are delivered as promised
- ▲ Developing sales presentations
- ▲ Negotiating with customers
- ▲ Measuring sales performance
- ▲ Leveraging one or more appropriate sales channels including direct, distribution channel, wholesale, internet and retail to generate revenue
- ▲ Providing timely feedback to both marketing and research and development

Chief Information Officer CIO

The Chief Information Officer contributes to general business planning regarding technology and systems required to maintain company operations and competitiveness. The CIO carries a number of critical areas of responsibility.

- ▲ Recognizes new developments in information technology and matches them with organizational requirements
- ▲ Develops long-term strategy for information systems requirements in line with overall corporate strategy



- ▲ Ensures secure global networks for both internal and external communication needs
- ▲ Ensures confidentiality and reliability of corporate data, proprietary information, and intellectual property
- ▲ Functions as top level contact to assist end users in determining information system requirements and solutions
- ▲ Ensures that corporate web-site and e-commerce capabilities are operational and secure

Vice President of Research and Development ®

The Vice President of Research and Development directs all engineering operations for the corporation. This individual must have a view into the future by driving his team to build the products and design the services that will keep the company on the leading edge of the market. In addition, the VP of Research and Development carries a number of critical areas of responsibility.

- ▲ Ensures that products are designed or re-designed in order to meet market demand and drive innovation
- ▲ Carries overall responsibility for product engineering and delivery
- ▲ Recommends changes, improvements, and new processes to maintain economical production methods
- ▲ Recruits the world's best talent to help innovate and deliver world class products and services



Vice President of Human Resources ☺

The Vice President of Human Resources, also known as the Vice President of People, is responsible for ensuring that the corporation maintains an exceptional work force as it continues to grow and expand. Working closely with the CEO, this individual works to strengthen the company's strategies for leadership development.

In addition, the VP of Human Resources plans and directs programs for all people areas including:

- ▲ Employment
- ▲ Employee relations
- ▲ Compensation
- ▲ Training and development
- ▲ Benefits administration
- ▲ Equal employment opportunity
- ▲ Performance management

General Counsel ✍

The General Counsel is responsible for all corporate legal work and directs a staff of legal professionals to carry out a variety of critical functions. Specific areas of focus include:

- ▲ Intellectual property
- ▲ Competition law
- ▲ Compliance



- ▲ Antitrust
- ▲ Corporate contracts
- ▲ Standards for business conduct

Real World Perspectives 🌐 Organizational Dynamics Assignment

1. Divide into teams of 3 or 4 students and build a generic corporate organizational chart with the materials provided. Once the chart is built, match the job description provided with each job function. The first team to complete the chart and link the descriptions to the functions will present their chart to the class. If any errors or incorrect links are found, the team that finished next will present and so forth. Each member of the winning team will earn 10 points.
2. With the help of your mentor, develop an **organizational chart** for your company. It should contain both job titles and the associated names of the executives that fill each specific job role. In addition, comment on their job tasks and general responsibilities in narrative form below the chart.

This information in assignment # 2 will be used in your final presentation and will be presented and validated by senior executives at the corporation you are studying.

You may find that executives in the company you are studying have job titles that are not covered in our study guide. This is to be expected and your mentor will help you explore and understand what these functions mean and what they are responsible for. It will be interesting for you to comment and share your thoughts on why the organizational structure was established in the manner it was. For example, have there been any recent changes in an effort to respond to changing market conditions, were new people from outside the company hired to address a particular challenge the



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company is facing, **how** might their organizational structure change to be more productive and competitive.

Each team will have 20 minutes to present their findings. This will serve as excellent practice as you prepare to make your minute presentation in the real world.

Good Luck!