Ross School of Business at the University of Michigan

Independent Study Project Report

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Global Fellow Paper Comments – Noel Tichy, Fall 1998

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Comments:

This paper lays out a very clear framework for diagnosing the growth potential of an organization. Each of the categories was built from a set of variable which the author assumes cluster together. He then positioned a set of interdependencies among the categories to build a dynamic model.

The model and its categories was then used to operationalize a set of diagnostic questions.

All of this can serve as a conceptual frame useful in driving empirical field research.

The areas that are not well represented are the emergent networks of information, influence, and affect in an organization and how they can impact growth.

Model for diagnosing growth opportunities
By Raman Singh

INTRODUCTION

In order to diagnose growth opportunities in organizations, various organizational design practitioners use a number of implicit models. These models are based on their experiences and (possibly) suffer from their biased view of managerial problems. One method for organizational diagnosis which aims to eliminate these biases uses explicit models. This technique suffers from the drawback that it is too rigid and cannot be easily adapted to the unique conditions encountered in numerous organizations. One social technology that overcomes most of these obstacles aims to develop these models through interaction within a team. Such a methodology removes most of the biases of implicit models and allows the organization to develop a model most suited to their own needs.

This paper will present, via an example, a method for developing a model that will be used for determining growth opportunities in organizations. We will arrive at our model by following these four steps.

Step 1
Identify A Set Of Key Variables
Select a set of Key variables that the organization should consider while diagnosing growth opportunities

Step 2
Develop Higher Order Concepts
Group the variables identified in step 1 into categories that will form the basis building block of the model

Step 3
Organize A Dynamic Model
Identify the causal relationships between the various categories of the model

Step 4
Show A Graphic Representation Of The Model
Draw a map that graphically demonstrates the cognitive model

Following the development of the model, we will use the model to outline a few questions that an organizational design practitioner can ask to identify growth opportunities at an organization.

KEY VARIABLES

In our view the following variables influence the growth opportunities of an organization.

	Variable	Reason for selection
1.	Entrepreneurship	Drive to achieve results with limited resources
2.	Core competencies	What the organization does best
3.	Decision Making	Distribution of decision making authority through the organization
4.	Incentive compensation	Determines what the participants in the organization strive for
5.	People development system	Acquisition of new skills by employees leads to increased productivity and energy
6.	Functional organization	Empowered employees
7.	Firm vision	Defines the goals for the participants of the organization
8.	Organization leadership	Defines how the industry views the firm from the outside and the employees view the firm from inside
9.	Leadership development	Signals continuity of able leadership
10.	Knowledge Management	Efficient acquisition and dissemination of knowledge
11.	Cost consciousness	To avoid becoming a bloated organization
12.	New Markets	Provides new opportunities
13.	Alliances	Can be used to develop product/service network externalities
14.	Product innovation	New and improved products according to customer needs
15.	Industry Economics	Organization could ride industry growth
16.	Distribution network	Can be used to reduce procurement costs for customers
17.	Pricing	Can be used to provide value to customers
18.	Product/Service portfolio	More products can satisfy more customers (however, increases management costs for organization)
19.	Customer retention	Easy to retain a customer than get a new one
20.	Entry barriers	Limits competition
21.	Patent protection	Proprietary technology/processes/products
22.	Performance Appraisal	Defines criteria of what is valued in the organization
23.	Operational excellence	Efficient use of resources

DEVELOPING CATEGORIES

The key variables identified above can be grouped into more inclusive categories. These categories will form the components of the model.

The variables from the previous step have been grouped into categories. Each category has been given a name and is accompanied by a brief introduction of why the variables have been grouped as such.

Name	Strategic Positioning
Description	This category includes those components that indicate how the organization is strategically positioned in the industry
Members	Entrepreneurship Core competencies

Name	Empowerment
Description	This category includes those variables that are indicators of how the members of the organization are empowered to fully realize their potential to the betterment of the organization
Members	Decision Making Incentive compensation People development system Functional organization Performance Appraisal

Name	Leadership
Description	This category includes those components that describe the leadership of the organization.
Members	Firm vision Organization leadership Leadership development

| Name	Operations
Description	The variables in this category describe the operation of the firm in a broad sense. These variables are connected with efficient management of the organizational resources
Members	Knowledge Management Cost consciousness Operational excellence

DYNAMIC RELATIONSHIPS

The next step in defining the model for analyzing growth opportunities is to examine the relationships between the various categories. The exercise in this step is to determine the effect on the other categories if one category undergoes major change.

The table below shows the relationships between the various categories. The column on the left lists the category undergoing major change. The three columns on the right classify the other categories accordingly if they show a great deal of change as a result of this change, if they show a moderate change as a result of this change or if they show no change.

Category undergoing major change	Categories likely to show a great deal of change	Categories likely to show moderate change	Categories likely to show little or no change
1. Strategic Positioning	Empowerment Leadership Operations Business Development Serving current customers		Defending the turf
2. Empowerment	Leadership Serving current customers	Operations Business Development	Strategic Positioning Defending the turf
3. Leadership	Empowerment Business Development	Operations Serving current customers	Strategic Positioning Defending the turf
4. Operations	Strategic Positioning Empowerment Serving current customers	Leadership Business Development	Defending the turf
5. Business Development	Leadership Operations Serving current customers	Strategic Positioning Empowerment Defending the turf	
6. Serving current customers	Strategic Positioning	Empowerment Operations Business Development Defending the turf	Leadership
7. Defending the turf	Strategic Positioning Business Development Serving current customers	Operations	Empowerment Leadership

MAPPING THE MODEL

The final step in developing the model is to graphically show the model. In order to do that we will draw circles for each category. We will connect those categories with a solid line that have a major impact on each other, while we will use a broken line to connect those categories that have a moderate impact on each other. We will show no connection between categories that have little or no impact on each other.
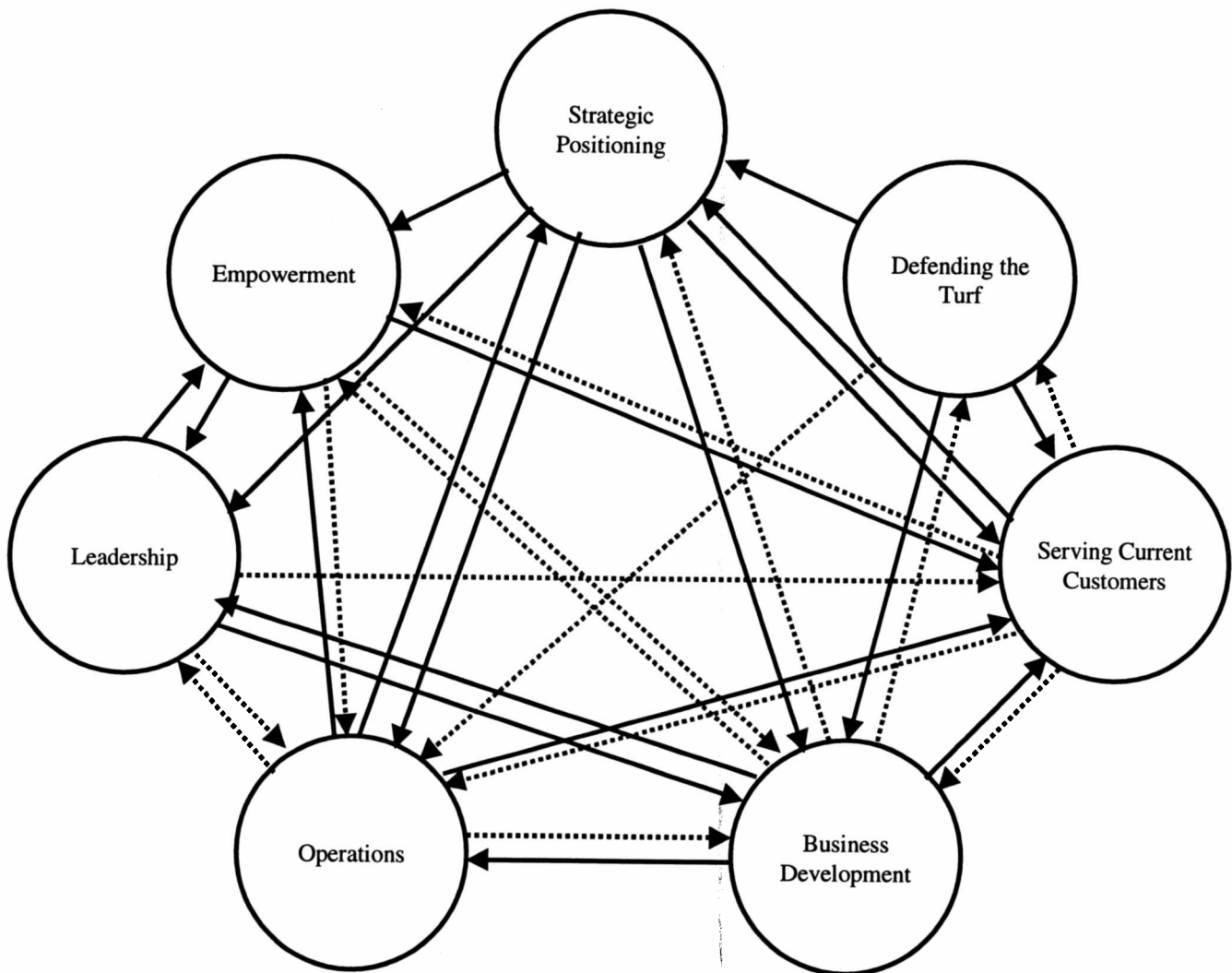
QUESTIONS

1. What is your customer retention rate?
2. How many products/services do you offer your customers?
3. How fast is your industry growing? How fast are you growing relative to your industry?
4. What is the number of inventory turns per year?
5. What is your overall ROA? What is your ROA per product/service?
6. How do you price your products/services? How price elastic are your customers?
7. How much does your customer spend to get your product/service (acquisition costs)?
8. Do you have any proprietary technology that gives you advantage in the marketplace?
9. Do you have any kind of leadership development program? Describe it.
10. What do you value most in your employees?
11. What qualities do you look for in an employee during the hiring process?
12. Does your firm have a vision that each employee can articulate and explain?
13. How do you challenge your employees to perform better at their jobs? What measures do you use to quantify success? How are employees rewarded for their efforts?
14. Does your organization have any alliances with other organizations? How many? What are the goals of these alliances? How many people in your organization are fully devoted to achieving these goals? How do you measure success? Have you mapped out how the alliance will change over time? Have you planned your reaction to these changes?
15. What percentage of your annual revenue comes from products introduced in the last 2 years? Last 3 years? Last 4 years?
16. What percentage of your income do you spend on R&D? How do you measure the success of your R&D program? How do you ensure that your R&D staff is in touch with your customers?
17. What new markets are you targeting for expansion? Why? What strengths will you bring to these markets? What will be the reaction of the current players in these markets? How will you respond to their reactions?
18. How do your employees acquire new skills? Who takes the initiative to the development of your employees? What support does your organization provide? How does the organization utilize these new skills? How are the employees rewarded for acquiring new skills?
19. How does your organization respond to new ideas from its employees? Are employees encouraged to follow through with their ideas? What support do they get from the organization?
20. For what skill/task/product are you the best in the world? How do you intend to get there? How will you maintain this leadership position?