

Organization Theory and Design 3Ce **Enriched Instructor's Manual**

Chapter 2: Organizational Purpose and Structural Design

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CHAPTER OVERVIEW

Organizations exist to attain goals, and top managers give direction to organizations. This chapter explores strategic direction in organizations in terms of the types of goals and strategies that top management develops, as well as two frameworks for determining strategic action. Several approaches are then explored for measuring organizational effectiveness.

PURPOSE OF THIS CHAPTER

This chapter provides students with an overview of various approaches to strategy and then underscores the importance of strategy as contingency for structure.

IF NOTHING ELSE, MY STUDENTS SHOULD LEARN ...

1. There are several frameworks for selecting strategies and design. The students must have a detailed understanding of them.
2. Effectiveness can be measured through several lenses, as illustrated by both the integrated model and the balanced scorecard.

LEARNING OBJECTIVES

After completing this chapter, students should be able to

1. Describe the importance of strategy and the strategy process. *[Remember]*
2. Understand strategic purpose and operating goals. *[Understand]*
3. Know Porter's strategy model and Miles and Snow's strategy typology. *[Remember]*
4. Explain how strategy affects organization design. *[Apply]*
5. Discuss the goal, resource, internal process, and strategic constituents approaches to measuring effectiveness. *[Understand]*
6. Explain the competing values and balanced scorecard models and how they relate to effectiveness. *[Apply]*

HOW DOES THIS CHAPTER RELATE TO THE REAL WORLD?

1. Organizations use different strategies to pursue their mission; they need to design their structures such that they support the strategy.
2. Often what gets measured gets done in organizations.
3. A well-designed organization can be a source of significant strategic and competitive advantage.

WHY SHOULD STUDENTS CARE?

1. Students need to understand how strategy drives structure so they can appreciate the consequences of a misfit between the two.
2. Students interested in a consulting career, in particular, will need an understanding of strategy.

WHAT ARE COMMON STUDENT MISCONCEPTIONS AND STUMBLING BLOCKS?

1. Students may not see that there are design consequences of pursuing one strategy over another.
2. Students may minimize the complexity of measuring effectiveness and may see effectiveness and efficiency as the same construct.

WHAT CAN I DO IN CLASS?

Stumbling Block Activities

Watch <https://www.youtube.com/watch?v=f60dheI4ARg> for some thoughtful insights from Steve Jobs about managing Apple as a start-up even though it is a large organization. *[Stumbling Block 1]*

In class, **facilitate** a discussion of the **Chapter 2 Workshop: Competing Values and Organizational Effectiveness**. *[Stumbling Block 2]*

Assign students, in teams, to apply the balanced scorecard to organizations in different industries and sectors. Be sure to include a nonprofit organization, as the findings will yield some nice comparative discussion. *[Stumbling Block 2]*

Clicker Question

An integrated effectiveness model suggests that

- a. managers may emphasize different performance indicators.
- b. managers will have a preference for one indicator.
- c. managers will try to balance competing values.
- d. a and b
- e. a and c**

Use this question to discuss, in some detail, the model developed by Quinn and Rohrbaugh.

Video

Discuss *Theo Chocolate Part I: Strategy Formulation and Execution*.

You & Design

Use the You & Design questionnaire to have students reflect on two key skills for being an effective strategist—formulation and implementation.

ACT!

The ACT! questions and tasks are designed to link the concepts to the students' own experiences and careers and are suitable for small group discussions.

Discussion Questions and Suggested Answers

1. Discuss the role of top management in setting organizational direction.

The primary responsibility of top management is to determine an organization's goals, strategy, and design. Top management must assess the opportunities and threats in the environment and the internal strengths and weaknesses of the organization. Based on this assessment, the duty of top management is then to formulate the overall mission and goals of the organization. The design of the organization should be based on the mission and goals. The perspective of top management is needed in this process, especially since managers can interpret the environment differently and develop different goals. This interpretation can have a dramatic impact on an organization's success.

2. How might a company's goals for employee development be related to its goals for innovation and change? to goals for productivity? Can you discuss ways these types of goals might conflict in an organization?

Employee development may be seen as a prerequisite for innovation or productivity. Goals for innovation and change may spark different approaches by different employees, leading to conflict. Similarly, implementation for productivity may be approached so differently by different employees that it leads to conflict. Such conflict can be healthy for the determination of the best path if it takes the form of constructive disagreement.

3. What is a goal for the class for which you are reading this text? Who established this goal? Discuss how the goal affects your direction and motivation.

Students may volunteer that a personal goal is to pass the class with a grade of C or better in order to fulfill degree requirements. Challenge students to evaluate how such a goal could be reformulated in order to offer motivation that can elevate effort to measurable but realistic objectives. Ask students to state what goals the instructor likely has for the class and how those goals affect their own direction and motivation.

There is no “right” answer to this question, but make sure students get the message that goals can, in part, determine behaviour.

4. What is the difference between a goal and a strategy as defined in the text? Identify both a goal and a strategy for a campus or community organization with which you are involved.

Operative goals identify the ends sought by the organization concerning overall performance, boundary spanning, maintenance, adaptation, and production activities. The official goal is sometimes referred to as the mission or formally stated definition of the business outcome that the organization is trying to achieve—its reason for existence. In contrast, a strategy is the organization’s plan for achieving its goals. The goal of Beta Gamma Sigma might be to increase the number of paying members by 15 percent in two semesters, while a strategy for achieving that goal might be aggressive communication to business students about Beta Gamma Sigma’s purpose.

5. Discuss the similarities and differences in the strategies described in Porter’s competitive strategies and Miles and Snow’s typology.

Both Porter’s differentiation strategy and Miles and Snow’s prospector strategy call for learning orientations with a flexible, decentralized structure. Both have strong capability in research and value employee creativity, risk-taking, and innovation. Additional similarities are that Porter’s low-cost leadership strategy and Miles and Snow’s defender strategy have an efficiency orientation with centralized authority and tight cost control. Differences are that Miles and Snow’s analyzer strategy moves in a new direction from Porter’s strategies by balancing the other two main approaches (prospector and defender) into one strategy, while Porter has no “combination strategy” that balances the differentiation and low-cost leadership approaches. Furthermore, Miles and Snow have one category, the reactor, which has no clear approach whatsoever; this is not an option in Porter’s approaches.

6. Do you believe mission statements and official goal statements provide an organization with genuine legitimacy in the external environment? Discuss.

One important function of a mission statement is to state the reason for the organization’s existence. It provides outsiders with a sense of the organization’s purpose. Official goals identify the purpose and legitimize the organization for employees, clients, government and other important external groups. Official goals typically are abstract and therefore run the risk of being perceived by some outsiders as “apple pie” statements that sound good but do little to shape the actual organization. Official goals harmonize with the mission and provide a rationale or reason for the organization to exist. Many students comment that such statements offer genuine legitimacy only to the extent that they actually go beyond “public relations” to guide decision making. Therefore, the genuine legitimacy provided may come more from the overall implementation of the mission along with the organization’s goals and strategies than from the piece of paper on which the mission is written for outsiders to read.

7. Suppose you have been asked to evaluate the effectiveness of the police department in a medium-sized community. Where would you begin, and how would you proceed? What effectiveness approach would you prefer?

This question does not have a single correct answer. It is designed to force students to think about the different approaches to effectiveness, to encourage them to apply more than one measure, and to try to apply them. Students will realize how difficult it is to use the goal approach or system resource approach alone. One solution to this question is to follow a procedure to identify indicator goals, system resources, and internal process indicators. The measures can then be formulated into a combined approach to effectiveness. Students may also argue for the constituency approach since the police department is a social organization. The satisfaction of employees, city government, community members, minorities, and other groups may be a good indicator of police department effectiveness; each of the stakeholders identified should be asked for indicators important to them, and then they should be asked to assess the department on each relevant indicator.

8. What are the advantages and disadvantages of the resource-based approach versus the goal approach for measuring organizational effectiveness?

The advantage of the resource-based approach is that it can be used to evaluate effectiveness of organizations that pursue different kinds of goals as long as they are using similar resources. Organizations can be compared on their ability to acquire scarce and valued resources needed to provide products and services that will eventually enable them to realize their goals. The resource-based approach considers an organization in relationship to the external environment. The advantage of the goal approach is that it examines what the organization is trying to do, which in some respects is the preferred criterion of effectiveness. The goal approach becomes problematic when effectiveness has to be measured for multiple goals, or when comparing organizations are that pursue different goals, or when the only indicators are subjective. In these cases, an accurate assessment may be difficult. Sometimes a combination of the system resource and goal approaches is best. Both inputs and outputs can be evaluated. The two approaches can lead to a reasonably accurate measure of effectiveness.

9. What are the similarities and differences between assessing effectiveness on the basis of competing values versus the stakeholder approach described in Chapter 1? Explain.

The similarity is that both approaches incorporate inputs, internal processes, and outputs into determining goals and effectiveness. These approaches acknowledge that organizations do many things and serve various needs both internal and external. The differences reflect the focus on effectiveness. The constituency approach is concerned with all groups that have a stake in the organization. The constituency approach takes society's perspective and does not give any special recognition to owners or managers in trying to establish effectiveness. The competing values approach takes the view of managers and owners, but realizes that choices must be made in terms of acknowledging

what is important for the organization (i.e., internal or external issues, stability or flexibility in structure). When one set of values is chosen, this orientation becomes the criterion of effectiveness for the organization.

10. A noted organization theorist once said, “Organizational effectiveness can be whatever top management defines it to be.” Discuss.

This question can facilitate discussion of where goals come from and top management’s role in the process. Generally speaking, students will agree with this statement. Managers define the goals of the organization and they define the extent to which the organization is performing well. These factors are not fixed or given by the environment. One of the important roles of management is to define goals and effectiveness; these factors are then taken by other people at lower levels within the organization. Some students may disagree. Students may argue that society’s view is paramount, and the organization should do what is best for the larger culture. This point of view reflects a constituency criterion and can also be accepted as legitimate. Many managers working within organizations, however, would not accept this approach to effectiveness as superior to their own definition. Some students who disagree with the given statement may feel that managers often have too narrow a view of effectiveness and that, much as the students who have not yet read this chapter, some managers may think of effectiveness as little more than goal attainment.

Chapter 2 Workbook: Identifying Company Goals and Strategies

The workbook activity presents an opportunity to contrast different firms’ goals and strategies. There is benefit in having several students research the same companies because there will be variation in the goals they select as being most important, and they may come to different conclusions on the strategies used. Furthermore, you will be better able to build on class consensus in subsequent class discussions.

Companies selected for the Internet search might include

- three firms in the transportation industry, such as Cummins, Harley-Davidson, and Toyota
- three retailers, such as Hudson’s Bay, Walmart, and Simons
- three organizations mentioned in the chapter, such as Endeavour, Volunteer Consulting for Non-Profits; NASA; and the TTC
- the firms cited in this chapter’s In Practice examples (WestJet, Loblaw) and the Look Inside example of Tim Hortons

A transparency made from the PowerPoint slide provided for this activity can be used to record consensus on the three organizations selected for research.

Alternative Classroom Activities

Play the new HBS simulation Strategy Simulation: The Balanced Scorecard, developed by V.G. Narayanan.

Lecture Enhancement: Stakeholder, or Constituency, Approach

The stakeholder, or constituency, approach to determining goals and effectiveness is based on the organization identifying the stakeholders of the organization and their respective measures for determining the organization's effectiveness (see Chapter 1). Each group has different criteria, or goals, which it feels that organization should be addressing. Once the various criteria or goals are defined, the organization must determine how to balance conflicting demands and prioritize which goals to address. One method is to determine the power of each constituent group and the relative importance of the effectiveness criteria of that group. Remember that the stakeholder groups may have power over the organization by virtue of their ability to provide or deny critical resources.

The relative importance of the effectiveness criteria is the degree to which the constituent group feels the goals are important to it. By mapping both the power for the stakeholder group and importance of effectiveness criteria, the organization can analyze its stakeholder environment. Have students determine an organization about which they can collect information from at least a small sampling of several groups of stakeholders.

1. List all major stakeholders of the organization.
2. Determine the amount of power each has with respect to the organization, preferably by interviewing the top management team.
3. Find out from key stakeholders what effectiveness criteria are more important, then determine for a particular effectiveness criterion (e.g., market share, customer service) its importance to each stakeholder group.
4. Place each stakeholder group in the appropriate place on model.

Analysis of stakeholder power and importance

1. High Power Low importance	2. High Power High Importance
3. Low Power Low Importance	4. Low Power High Importance

Case for Analysis: Jones Soda

Ask the students for their immediate reaction to the case. Then ask the students to work in small groups or in their project teams to address the following three questions.

Assignment Questions and Suggested Answers

1. What strategy is Jones Soda using?

As the case says, it is a story of determination and fighting through challenges that other organizations would not have tackled. It also involves a strategy of being close to the customer and managing the Jones brand passionately and vigilantly. It seems to follow an analyzer approach.

2. What do you think of Jones's idea of creating an advisory board of kids?

Some students may raise ethical issues of “using” kids, while others may focus on the marketing effectiveness of doing so. The discussion should be lively!

3. How would you describe Bob Jones's approach to his career?

His approach seems to be one of enlightened opportunism, whereby he uses serendipity to his advantage by seeing possibilities in the unexpected.

Case for Analysis: “I want there to be!”: Apple Inc.'s Foxconn Test

Case prepared by Xiao Chen, Ph.D., Department of Leadership and Organization Management, School of Economics and Management, Tsinghua University, Beijing, China.

Case Synopsis

Apple has taken a lot of heat since 2010, when a rash of suicides at its mainland Chinese factory plants run by Foxconn (Shenzhen) drew great attention to working conditions at the world's largest contract supplier. Foxconn makes some of Apple's most popular products: iPhones, iPods, and iPads. Apple and many other manufacturers who have their gadgets produced by Foxconn were forced to defend production in China. Subsequently, Apple worked with Foxconn to launch an employee assistance program (EAP) at its Shenzhen facility later in 2010. In early 2012, Apple hired the US-based Fair Labor Association (FLA) to examine working conditions at Foxconn. Surprisingly, Apple had been providing professional development opportunities for workers, through the Supplier Employee Education and Development (SEED) program, as a pilot as early as in 2008. Are these programs viable, given Tim Cook's May 2012 (shifting) “Made in America” strategy? What's next for both Apple and Foxconn?

Learning Objectives

The overarching learning objectives of this case analysis are at least three-fold: (1) to lead students to contemplate the applicability of the “Top management role in organization direction, design, and effectiveness” framework in analyzing the tragic 2010 Foxconn events from different organizational perspectives (i.e., Foxconn’s versus Apple’s), (2) to provide students with a rigorous learning environment by establishing personal connections to the course materials, and (3) to inspire students’ intellectual development and comprehension of higher-level issues facing businesses across cultures and societies. To achieve these goals, you can facilitate class discussions on the four interconnected questions.

Student Outcomes

Four student outcomes may be potentially evident: (1) rigorous learning as demonstrated by high-quality student discussion and work (especially developed over time), (2) effective application of relevant course theories in case analysis, (3) both short- and long-term student engagement (both cognitive and affective), and (4) overall high satisfaction.

Assignment Questions and Suggested Answers

1. Apply the “Top management role in organization direction, design, and effectiveness” framework and analyze the 2010 Foxconn suicide cluster phenomenon, assuming your role as either Steve Jobs/Tim Cook or Terry Gou:

a) What are the most pressing environmental issues (external and internal)?

This question asks the students to *contextualize* the key elements of this framework (i.e., factors in both external and internal environments) to the two target organizations. Ideas may vary, depending on students’ background knowledge and perspectives. You should not limit student answers only to those listed below. The basic idea is to engage students in critically evaluating the applicability of this framework to the Foxconn/Apple case.

CEO (organization)		T. Gou (Foxconn)	S. Jobs/T. Cook (Apple)
External environment	Threats	<ul style="list-style-type: none">• Public image (the manufacturer giant)• Uncertainties associated with suicide cluster (e.g., labour supply; global public concern)	<ul style="list-style-type: none">• Public image (the trendy player)• Social audit (e.g., the Fair Labor Association)
	Opportunities	<ul style="list-style-type: none">• Reputation (e.g., supply of skilled and disciplined workers)• Chinese diverse geographies to re-	<ul style="list-style-type: none">• Reputation (e.g., innovation) and market share• Abundant resources (e.g.,

		affirm “Made in China” ideology	R&D, intellectual properties, revenue)
Internal environment	Weakness	<ul style="list-style-type: none"> Organizational culture (e.g., mission culture, and clan subcultures or lack thereof) 	<ul style="list-style-type: none"> Complex inter-organizational relationship (e.g., resource dependence vs. population ecology)
	Strengths	<ul style="list-style-type: none"> Leadership style (authoritative) (Relatively) low labour cost Organizational culture (e.g., bureaucratic) 	<ul style="list-style-type: none"> Leadership style (transformational vs. transactional) Past performance (i.e., dominant market share)

b) What are the primary organizational design issues?

Organizational design reflects the way goals and strategies are implemented. In this case, as both the external and internal environments of both Foxconn and Apple are radically changing, both organizations, ideally, should have new goals and strategy. Evidently, the administration and execution of their strategy have to be altered. From Foxconn’s perspective, a mindset of redesigning the military-style, efficient, performance-oriented organization (*efficiency*) toward a *learning* organization may be desirable (i.e., the redesign of *structural form*). One way of doing so may be revising its core human resource policies. You can offer deeper insights into any core HR functions (e.g., recruitment, performance appraisal, training and development, employee relations, compensation and benefits) deemed readily relevant to the Foxconn context. Moreover, you may further lead students to discuss issues pertaining to organizational culture and ethical values (Chapter 10) vis-à-vis the long-established “Made in China” ideology versus (Cook’s) “Made in America” ideologies.

c) How would you (re)define organizational effectiveness to build a socially responsible company?

Top management in organizations selects new goals and strategy based on environmental needs. Accordingly, “effectiveness” carries a balancing meaning of “efficiency” and “learning,” such that organizations can be fully adaptive to their changing environments. But although they share the essence of “effectiveness,” Foxconn and Apple may differ in their respective representation of organizational effectiveness. You can conclude by recapping students’ responses to questions 1b and 1c.

2. Should Apple be (entirely) responsible for the practices of its general suppliers and particularly, Foxconn?

This question deals with the increasingly complex inter-organizational relationship facing all global organizations; therefore, *no* single firm answer has been proposed here. Rather, understanding the larger yet puzzling organizational ecosystem is viable to making better sense of the global ecosystem of business. You may engage students to discuss the changing role of management—to move beyond traditional top-down management (e.g., within either Foxconn or Apple) to horizontal management across organizations (e.g., between the two and other organizations, such as the FLA).

3. What does Cook’s new “Made in America” strategy mean for both Apple and Foxconn?

4. In light of both Cook’s new strategy and Apple and Foxconn’s chronologies in implementing the EAPs and SEED, evaluate the viability of such programs given the changing demographics of Chinese younger migrant workers in the transforming Chinese labour market.

You can combine these two questions to facilitate discussion on the issue of mission and operative goals in organizations undergoing change. For example, “Made in America” (versus “Made in China”) represents Cook’s (imagined) shift of Apple’s mission in relation to its dependence on Foxconn. Recalling Cook’s words “I want there to be! I want there to be!”—the title of this case—students may ponder its viability and short- and long-term implications for both Apple and Foxconn. While each organization may still wish to maintain their respective role in the industry (i.e., one being the dreamer of the dominant electronic-product leader, the other, the largest factory in scale), the shifting of organization mission (a.k.a. the purpose of an organization’s very existence on the planet) is highly challenging.

A related issue is the organizations’ operative goals, as is evident from the establishment of Foxconn’s EAP, instituted in 2012 in response to the suicide cluster in 2010, and by Apple’s SEED, piloted as early as 2008 and established thereafter. Whether or not these programs can be viable and effective in enhancing organizational effectiveness (in particular, employee well-being), especially in the long run, is largely contingent upon top management’s *continuing* and *effective* scanning of its environments. Whether or not these North America–rooted programs can be readily applied to the changing cohorts of Chinese young migrant workers remains an open question. Moreover, it is highly intriguing to observe the joint effects of both these two programs in the context of Foxconn’s changing labour force. Whereas the EAP seems to have a prevention focus (e.g., providing counselling services to help employees release work-related strain), the SEED represents a promotion orientation (e.g., enhancing employee professional competitiveness). Instructors may engage students in brainstorming customized EAP and/or SEED modules that are suitable for current Foxconn workers.

Concluding Remarks: Managerial Implications

Through this case, you can offer insights into how this case exercise informs strategic management and managerial practice in global organizations that are not limited to the organizational boundary of Foxconn and/or Apple. The managerial implications of this case are at least three-fold: (1) the “Top management role in organization direction, design, and effectiveness” framework can be readily applied to both Foxconn and Apple, two interconnected organizations whose primary missions significantly diverge, (2) managers must be aware of the dynamics of both internal and external environments of organizations (e.g., the second-generation migrant workers represent a unique internal human resources factor for Foxconn, yet an external one for Apple), and (3) organizations should consider the deeper socio-cultural background of their people in implementing strategy.

Chapter 2 Workshop: Competing Values and Organizational Effectiveness

This workshop activity will help to bring alive the meaning of the competing values approach to organizational effectiveness. Ask students to imagine that a company wants to assess how it is achieving two goals in each of the quadrants. What would be measured? (Enter under “performance gauge” on table.) How would those goals be measured? (Enter in next column on table.) Where would the company get the information needed to conduct the measurement? (Enter under “source of data” on table.)

You can assign this exercise a week before, so that the teams have some time to collect the data and to prepare the analysis for presentation. Look to see (1) if the students selected goals that demonstrate an understanding of each quadrant; (2) if there’s a logical fit between the performance gauge, measurement approach, and recommended data sources; and (3) if the students demonstrate a clear understanding of effectiveness (as distinct from efficiency). It lends itself to being a graded assignment or a great integrating question for an open-book or take-home midterm exam.

Extra Case: Foldable Shoe Maker Beats the Odds

The case is included as a student handout.

Assignment Questions and Suggested Answers

1. What strategy is Ms. Coleman pursuing?

In terms of Porter’s competitive strategies, Ms. Coleman appears to be pursuing a focused low-cost strategy. She is focusing on women who wear high heels and are looking for a comfortable alternative. In addition, she is pursuing a low-cost advantage, because she was looking to manufacture offshore (e.g., China), thereby lowering her

production costs to keep her product competitive. One would assume that barriers to entry in this domain are pretty low (not really specialized technology, etc.), so eventually consumers would look for the “cheapest at best quality” option. In terms of Miles and Snow’s typology, Ms. Coleman is following a prospector strategy, because she is innovating, taking risks, and seeking out new opportunities to grow her business. Also, the fact that she is building and cultivating relationships with her suppliers and manufacturers in China shows she understands the importance of these relationships to her business.

2. What sort of organizational design will support her strategy? How?

In terms of organizational design, Ms. Coleman has to consider that, since low cost and efficiency are paramount, she needs an organizational design that supports that strategy. By outsourcing her manufacturing, she can keep costs low and overhead to a minimum. Her best option would be to keep the design and development and the marketing in-house and to outsource the rest of the functions, including finding a distribution network.

There are two elements to her organization—the design/innovation side and the production side. For the former, she needs to have an entrepreneurial, learning orientation—absorbing as much information as possible, learning from others (e.g., Arlene Dickinson), being adaptable, and operating as an open system. As an open system, she should be open to feedback from the users (what works well, what might be problematic with the product, reading style and fashion trade magazines for styles). She must be aware of opportunities and threats because barriers to entry in this market are low. She must also operate as an open system because she needs to communicate closely with her partners on the manufacturing side of her organization. On the production side, the organization that she partners with needs to operate with efficiencies to keep the costs down. Her production partner needs to have tight cost controls, lots of standardization, and cost controls in place.

ASSESSMENT TOOLS

Please refer to the accompanying Test Bank for assessment purposes. You may also wish to encourage students to conduct self-assessments by taking quizzes as well as doing the various activities on the CourseMate companion website.

REFLECTIONS ON TEACHING

Reflect on **your** classroom experience by reviewing the following questions:

- What worked? What didn’t? Why and why not?
- Were students engaged? Were they focused or did they go off on tangents?
- Did my assessments suggest that they understood the key concepts?
- What should I do differently next time?
- How can I gather student feedback?

WHAT OTHER RESOURCES ARE AVAILABLE?

Here are a few websites that provide further information/updates for some of the organizations discussed in Chapter 2.

American Apparel

Hess, A. (2014). “Dov Charney Was Fired for Losing Money, Not Sexual Harassment,” *Slate*, June 27, from http://www.slate.com/blogs/xx_factor/2014/06/27/dov_charney_firing_american_apparel_ceo_was_fired_for_financial_reasons.html, accessed August 14, 2014.

Apple

<http://ibnlive.in.com/news/apple-bans-use-of-two-hazardous-chemicals-in-iphones-ipads-manufacturing/492132-11.html>, accessed August 14, 2014.

Volvo

Truett, R. (2013). “Volvo Outlines Strategy for US Revival,” from <http://autoweek.com/article/car-news/volvo-outlines-strategy-us-revival>, accessed August 14, 2014.

STUDENT HANDOUT

Foldable Shoe Maker Beats the Odds

Source: Becky Reuber, "Foldable Shoe Maker Beats the Odds," special to *The Globe and Mail*, December 9, 2010. Accessed online at <http://www.theglobeandmail.com/report-on-business/your-business/start/business-planning/foldable-shoe-maker-beats-the-odds/article1831949/>. Reproduced by permission of the author.

The Challenge

Design and manufacture a new product when you're not a designer or engineer.

Hailey Coleman is the founder of Damn Heels, a business which sells portable and fashionable footwear. She came up with the idea in the summer of 2007, when she was still an undergraduate student. Like many people with great product ideas, she didn't have any design or engineering experience. How could she create a product that people would actually buy?

The Background

Ms. Coleman got the idea for Damn Heels when she was walking home from a party in London, England, and her high heels were killing her. "Wouldn't it be great," she thought, "if no woman had to go barefoot with her heels in hand ever again?" The solution was a pair of soft, comfortable ballerina-style flats packaged in a small expandable bag that fits into a clutch or purse. Before going out on the town, you slip the bag into your purse, and when your feet get sore, you can wear the flats and put your high heels into the expandable bag.

Before launching, however, she had to figure out how she was going to design and manufacture the shoes, as well as the bag; two skills with which she had no experience.

The Solution

Using the Internet, Ms. Coleman found a designer on Craigslist. The designer didn't have any shoe experience, but did have experience with soft pattern-based designs. Ms. Coleman also found manufacturers in China on the website Alibaba. She contacted many of them and then created a short list, depending on which ones responded promptly and sent pictures and samples of their work.

All was going to plan until she realized she would have to send a prototype to potential suppliers, and couldn't find the right material. "I knew I was in trouble," laughs Ms. Coleman, "when a shoe repair man told me not to bother looking for that material because he had been looking for three years to fix a pair of shoes!"

So instead she bought shoes made out of the material she wanted to use, cut them up and pasted them together using the pattern that she had developed with her designer.

Once Ms. Coleman had passable samples, she sent them to several Chinese manufacturers, who then created real shoe samples and sent them back to her. There were a number of iterations. "In the process of tweaking the samples, I got a good feel for which manufacturer would be best to work with," she explains. "I knew that it would be easier if the same supplier could make the bag and the shoes. And in deciding who to go with, I weighed heavily our ability to communicate with each other."

Although Ms. Coleman had to pay for the samples, they weren't terribly expensive. What was important was ensuring the product was right before she placed an order, because there was a large minimum unit requirement. The cost of making a mistake made the entire design process was quite stressful. "I hardly slept the entire time," says Ms. Coleman. "But once I placed the order, I felt calm because it was all outside of my control at that point."

The Result

Ms. Coleman launched her first product in December 2009, selling online and in hair salons and restaurants where family and friends worked. Her shoes—priced at \$20—were must-have Christmas gifts. She won a business plan competition that month and another the following March, netting \$32,000 and lots of attention from the media, investors, and entrepreneurs. In September, she appeared on *Dragons' Den* and accepted a \$50,000 deal from Arlene Dickinson. She is now weighing all distribution offers that have been coming in. She also fit in a visit to China. "I knew that building relationships is important in China," she says, "but I didn't realize how important until I received cases of green tea from my supplier. I needed to see the factory and meet the people and talk about how we can build an even stronger relationship."

Not bad for a relationship that was started online with a rudimentary cut-and-paste sample.

Assignment Questions

- 1. What strategy is Ms. Coleman pursuing?**
- 2. What sort of organizational design will support her strategy? How?**