

**Designing the Organizational Structure for an Entrepreneurial Venture**

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Submitted to the MIT Sloan School of Management  
In Partial Fulfillment of the Requirements for the Degree

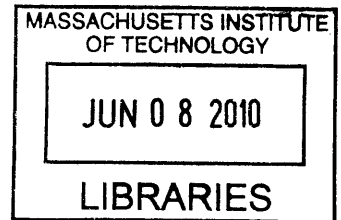
**MASTER OF SCIENCE IN MANAGEMENT**

AT THE

**MASSACHUSETTS INSTITUTE OF TECHNOLOGY**

JUNE 2010

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A handwritten signature in black ink, appearing to read "J. C. Martinez Delgado".

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Submitted to the MIT Sloan School of Management on May 7, 2010, in Partial Fulfillment of the Requirements for the Degree of Master of Science in Management.

## ABSTRACT

BS Grupo is a Peruvian entrepreneurial venture begun in 2000. The company has grown relatively fast, becoming a leading training provider in Peru. The venture delivers high level and specialized training services in the the areas of mining and information technologies, and on specific topics, such as project, maintenance, and quality management. Although it has experienced relatively fast growth, BS Grupo has missed market opportunities and has delayed the deployment of strategic projects needed for its long term sustainability. The company has developed strong capabilities to identify market opportunities and to configure products to address them; however, BS Grupo has experienced major problems in the areas of people management and organizational structure. This thesis analyzes the current organizational design of BS Grupo using three lenses: strategic, political and cultural. Recommendations are made to develop a new organizational design that supports the growth plans of the venture.

Thesis Supervisor: John Van Maanen

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## ACKNOWLEDGMENTS

I would like to thank my mother, Nery, for her continuous and absolute support throughout my life.

Dedicada a mi madre, Nery, por su continuo e incondicional apoyo durante toda mi vida.

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## **Chapter 1**

### **Introduction**

#### **1. Introduction**

BS Grupo is a Peruvian entrepreneurial venture begun in 2000. The company has grown relatively fast, reaching about \$ 2.0 M in revenues in 2008 and having a team of 60 people. The venture delivers high level and very specialized training services in the following areas: mining, information technologies, and specific topics like project maintenance and quality management. BS Grupo has become a leading training provider in Peru, operating in three of the major Peruvian cities and having among its customers the biggest Peruvian companies.

Although it has experienced relatively fast growth, BS Grupo has missed market opportunities and has delayed the deployment of strategic projects needed for its long term sustainability. The company has developed strong capabilities to identify market opportunities and to configure products to address them; however, BS Grupo has experienced major problems in the areas of people management and organizational structure. These recurrent problems have demanded energy and time from the founding team, distracting them from important aspects related to the growth and consolidation of the company.

#### **2. Objective**

The objective of this thesis is to analyze the current organizational design of BS Grupo using the three lenses proposed in "Three Perspectives on Organizations: strategic, political and cultural" (Ancona D., Kochan T., Van Maanen J., Westeny E., 2005). After this analysis, recommendations will be made to develop a new organizational design that supports the

ambitious growth plans of the venture. The proposals will be implemented in BS Grupo starting in July 2010.

### **3. Methodology**

The methodology for the analysis is based on “Three Perspectives on Organizations” (Ancona D., Kochan T., Van Maanen J., Westeny E., 2005). The current organizational design of BS Grupo has been analyzed according to the strategic, political and cultural perspectives.

The data are of two types: Qualitative and Quantitative.

- The qualitative data comes from twelve open-ended interviews of key people in BS Grupo. The interviews were held in January and February of 2010. Each interview lasted one hour and was based on the interview guide shown in Exhibit 1.1. These were intended to be face-to-face interviews. However, after completing the first three interviews, the approach changed to telephone interviews. It became apparent to the author that some people were intimidated by a face-to-face conversation with the CEO about sensitive topics like influence and power in the organization. Telephone interviews seemed to allow interviewees more openness and ease when talking about sensitive organizational topics. A list of interviewed people is shown in Exhibit 1.2. The interviews were held in Spanish.

## Exhibit 1.1

### Qualitative Research: Interview Guide

#### 1. Structural Design

- What is the formal grouping structure?  
Opinion, Problems, Potential Improvement
- How are the mechanics of linking and coordination?  
Opinion, Problems, Potential Improvement
- Alignment System  
Performance Measurement, Incentives and Rewards, Resource Allocation, Human Resource Development, Informal Systems and Processes, Alignment with each other?  
Alignment with structure and linking?, Do the policies of the company positively reinforce or pull people's behavior in different and incompatible directions?
- Does the design fit the environment and the organizational strategy?
- Is the company meeting the requirements of customers?
- Is the company effectively competing with other firms trying to achieve similar goals?

#### 2. The Political Lens

- Who has reputation or prestige in the organization?
- Which areas are the most important? Why? Which areas receive more support? Why?
- Which people have the best relationships with the Director/Manager?
- Who are the people with more influence in the organization? Why? Formal? Informal?
- Informal Networks and People interests

#### 3. The Cultural Perspective

- Symbols and meaning (strategies, goals, and rewards). If positive, why? If negative, why?
- Identity. If positive, why? If negative, why?
- Social control: norms and standards. If positive, why? If negative, why?
- Habits and history

**Exhibit 1.2**

**Qualitative Research: Positions of Interviewees**

<b>Position</b>	<b>Base Location</b>
General Manager and Co-founder	Arequipa
Operations Manager	Arequipa
Organizational Development Manager	Lima
Logistics Manager	Arequipa
Operations Coordinator	Arequipa
Operations Assistance 1	Arequipa
Operations Assistance 2	Arequipa
Marketing Coordinator	Arequipa
Marketing Coordinator	Lima
Organizational Development Assistance	Lima
Marketing Assistant 1	Arequipa
Salesperson	Lima

- The quantitative data were gathered using a survey administered to all BS Brupo's employees in March 2010. The survey was designed to elaborate on the key findings of the open-ended interview. The survey was administered in both of the company's locations -- Lima and Arequipa -- to 48 employees (80% of the total number of 60 employees). Given that in the Cuzco office the company has only one employee, this person has not been surveyed. Unless otherwise noted, all the percentages stated in exhibits in Chapters 3, 4 and 5 related to the survey findings are based on a sample size of 48 employees. The survey used is shown in exhibit 1.3. The survey was administered in Spanish and has been translated.

**Exhibit 1.3**  
**Quantitative Research: Survey**

1. The organizational structure is adequate.

Completely agree	
Agree	
Disagree	
Completely disagree	

2. The main problems with the current organizational structure are:

3. The current linking mechanics are adequate.

Completely agree	
Agree	
Disagree	
Completely disagree	

4. The main problems with the current linking mechanics are:

5. Express your opinion regarding the following declarations:

The performance measurement system is adequate.

Completely agree	
Agree	
Disagree	
Completely disagree	

BS Brupo's design fits the environment and the organization's strategy.

Completely agree	
Agree	
Disagree	
Completely disagree	

The rewards and incentives system is adequate.

Completely agree	
Agree	
Disagree	
Completely disagree	

BS Grupo is effectively competing with others firms trying to achieve similar goals.

Completely agree	
Agree	
Disagree	
Completely disagree	

The human resources development system is adequate.

Completely agree	
Agree	
Disagree	
Completely disagree	

BS Grupo is meeting the requirements of customers.

Completely agree	
Agree	
Disagree	
Completely disagree	

6. Who has most reputation or prestige in the organization?
7. Which areas are the most important?
8. Which areas receive most support?
9. Which people have the best relationships with the Director?
10. Who are the people with the most influence in the organization? Formal? Informal?
11. To whom do you go with the most frequency to consult about your work?
12. Who are the three people whom you relate to in an informal way?
13. Mention two positive characteristics of BS Grupo:
14. Mention two negative characteristics of BS Grupo:
15. Mention two conducts/behaviors positively valued by people in BS Grupo:
16. Mention two conducts/behaviors negatively valued by people in BS Grupo:
17. Mention two social norms in BS Grupo:
18. What does BS Grupo mean to you?

#### **4. Thesis Layout**

The remainder of thesis consists of five chapters:

- Chapter 2 describes briefly the history of BS Grupo from its inception to its current stage.
- Chapter 3 analyzes BS Grupo's current organizational design from the strategic perspective. Aspects like strategic grouping and linking as well as alignment mechanisms are analyzed drawing on the findings obtained from both the quantitative and qualitative data.
- Chapter 4 focuses on BS Grupo's current organizational design from the political perspective. Issues like interests and power and personal networks within BS Grupo's current organizational structure are the center of attention in this chapter.
- Chapter 5 analyzes BS Grupo's current organizational design from the cultural perspective. Symbols and meanings, identities, social norms, rituals and habits in BS Grupo are analyzed using the qualitative and quantitative data.
- Chapter 6 presents a series of recommendations to be implemented in the process of developing a new organizational design for BS Grupo.

#### **5. References**

Ancona D., Kochan T., Van Maanen J., Westeny E. "Three Perspectives on Organizations", Management For The Future: Organizational Behavior and Processes. South-Western Publishing, 3rd edition. (2005).

## **Chapter 2**

### **The BS Grupo History**

#### **1. The Original Idea**

BS Grupo began in 2000. The original name was “BrainStorm Consultores,” and the company was conceived of as a consulting company for small and medium sized enterprises located in Arequipa, the second largest Peruvian city. The founders perceived a strong, yet unaddressed demand for marketing and strategy consulting services in small and medium sized enterprises. As an initial strategy to build recognition in the market and generate revenues, the young venture started to develop seminars and short training workshops. This strategy worked and after two years BS Grupo was an established training company.

#### **2. The Foundations: A Personal Account**

The founders of the company were two young engineers with little work experience, no financial resources, no know-how, and no network. They had only passion and enthusiasm to build a company.

One of the initial founders is the writer of this thesis, Juan Carlos Martinez Delgado. In 2000, I was a 23-year-old recent graduate in Industrial Engineering at the San Agustin University in Arequipa, the most prestigious academic institution in South Peru. I had some previous experience developing projects, such as: implementing a production scheduling system in the Coke Peruvian Bottler, developing an operation manual for the production area of a polyethylene packing manufacturer, and developing a feasibility study for a community-owned salt mine in the Arequipa’s highland area for a small non-governmental organization. After these experiences, I was determined to start my own company by mid-2000. I had some intuition about what market opportunities I should pursue. Most of them were related to what I learned during my limited work experience. The initial idea was to establish a marketing and strategy consulting company focused on small and medium sized enterprises

where the consulting fee would be calculated on the basis of the created value for the client company.

The second founder was Jimmy Quintanilla Perez, a 23-year-old graduate in Industrial Engineering at the San Agustin University in Arequipa. Jimmy had, and still has, a strong technology orientation in the computer field. After finishing his undergraduate university program, Jimmy completed graduate degrees in Commercial Engineering and Systems Engineering. Previous to his experience in BS Grupo, Jimmy was a co-founder of a failed entrepreneurial project to deliver IT services. He also taught at the San Agustin University Computing Center for a year and a half and worked as specialist in the information technologies area of a Peruvian governmental agency for more than a year.

### **3. The Beginning**

The beginning of the company was modest: A small, windowless office, with two desks, two computers, four chairs, and one cabinet. The company started operations by developing some short training events, such as seminars and workshops, in partnership with local organizations, like the Industrial Engineering School at San Agustin University and the Peruvian Engineering Association. The first company office was opened in 2003. During this year, the venture got its first consulting project to deliver advertising and sales support services for some training programs of the San Agustin University.

In September 2003, the venture, in partnership with an academic unit of the San Agustin University organized a major marketing event in Arequipa: The First International Marketing Forum. Some professors from Chilean universities participated in this event and the company was able to make initial contacts with faculty members that later became partnerships.

In 2003, large Peruvian companies became interested in implementing Quality Management Systems under the standard ISO 9000. As noted, I had worked on an ISO 9000 implementation project during my time with the Coke Peruvian Bottler. During my search for potential speakers for the The First International Marketing Forum, I contacted some people

from Antofagasta University in Chile. Antofagasta is a major mining region in the north of Chile. The region represents a strong brand in the mining industry and world corporations operate in the area. In late 2003, I closed a deal with the Technical Assistance Area of the Antofagasta University to deliver a training program in Quality Management Systems beginning in early 2004 in Arequipa. The program was a success with 20 people from the major companies in Arequipa attending the training. It was the first of more than 30 training programs delivered under this partnership by the end of 2009.

At the end of 2003, the company established another partnership with a Chilean University, the Tarapaca University. BS Grupo tried to launch the first Marketing Training Program in early 2004. The program launching failed, however because of the numerous offerings of marketing training in the area and a poor choice of the salesperson assigned to that project. A second program was developed and launched with Tarapaca University for Project Management Training. This was successful and became the first of more than 20 training programs delivered. About 20 people attended the initial program, some of them from the major mining companies in Southern Peru.

An important part of the initial success of BS Grupo is related to the perception of Chile held by most of the Peruvian professional class in the 1900's, which continues until today. Chile is viewed by Peruvians as a more advanced country. Moreover, the reputation and perception of Chilean universities is quite high in Peru (Datum Internacional, 2004. Bofill C., 2010). Most Peruvian professionals want to obtain a diploma or a degree from a Chilean university. On the basis of these perceptions, the business model developed by BS Grupo featured Chilean professors coming to Arequipa every two weeks to teach, classes were offered on weekends (Friday evening, all day Saturday and Sunday morning), certification was issued by Chilean universities, and a fee was paid by the venture to the universities. The logistics of this model was complicated, but it was facilitated by the location of the university partners in the northern region of Chile and the location of Arequipa in Southern Peru, near the northern Chilean border.

#### 4. Growth

BS Grupo grew from two people in 2003 to sixty people in 2009. Revenues increased 300% during the first two years and over 150% during the last three years.

**Exhibit 2.1**  
**Sales & Growth 2003-2008**

<b>Year</b>	<b>Annual Sales<sup>(1)</sup></b>	<b>Growth rate</b>
2003	50000	-
2004	150000	300%
2005	450000	300%
2006	800000	178%
2007	1200000	150%
2008	1800000	150%

<sup>(1)</sup>In American Dollars, Source: BS Grupo 2003-2008 reports.

To give context to these numbers, it is helpful to look at the revenue of the market leader in executive education in Peru, Escuela de Administracion de Negocios para Graduados - ESAN. This group billed nearly \$ 10 M in 2006 (Peru: The Top 10,000 Companies, 2006). This organization has been in existence since 1963 and has a fine reputation as a leading Peruvian business school.

In summary, the major milestones in the growth process of BS Grupo include the following

dates and events.

- 2000: The first training event was held in Arequipa.
- 2003: The office in Arequipa was opened.
- 2004: The first training program in partnership with Antofagasta University was launched successfully in Arequipa.
- 2004: The office in Lima, the Peruvian capital, was opened.
- 2005: The first Master Program in Business Administration was launched successfully in Arequipa.
- 2005: The first training event was held in Lima.
- 2005: Training Programs in partnership with organizations from Argentina (Instituto Argentino de Normalizacion) and Mexico (Instituto Tecnológico de Monterrey de Mexico – TEC) were held in Lima.
- 2005: The venture was nominated as Peruvian Company of the Year in its category.
- 2005: The first Master Program in Business Administration was launched successfully in Lima.
- 2007: The academic publication of the company, *BS Journal*, was launched.
- 2007: The first Master Program in Business Administration was launched successfully in Cuzco, the third most important Peruvian city.
- 2007: BS Grupo published its first book, *Innovation Proposals for the Mining Industry*. The book compiles the student theses of the Program in Technological Innovation for Mining in Concentration Plants.
- 2008: The venture was nominated for the second time as Peruvian Company of the Year in its category.
- 2009: The organization's Consulting Board was created with the participation of well-known experts from Argentina, Brazil, Colombia, Chile, Mexico and Peru.

## **5. The Company's Distinctiveness**

The company goal since its beginning has been "to exceed the expectations of our customers."

The continuous pursuit of customer satisfaction has been a priority since the first days of the company. A feedback system exists to pick up suggestions and complaints from participants in training programs students and is analyzed after each training session. One of the first organizational projects of the company was the implementation of a Quality Management System for the company's own operations.

A study in 2009 was conducted using 355 alumni. The results, summarized below, were outstanding.

- Do you recommend the training program you have taken at BS Grupo to other people?  
Yes: 91% No: 9%
- Would you attend other training program at BS Grupo in the future?  
Yes: 94% No: 6%
- Mention three words describing BS Grupo?  
Results are showed in Exhibit 2.2

### Exhibit 2.2

#### Words describing BS Grupo from the customer's perspective

Words	Number of People	Percentage (%)
Good	55	16.70%
Innovation	34	10.30%
Good professors	33	10.00%
Quality	27	8.20%
Organization	26	7.90%
Good service	19	5.80%
Communicational	12	3.60%
Training	12	3.60%
Reliability	11	3.30%
Excellence	10	3.00%
Up-to-date knowledge	8	2.40%
Punctuality	8	2.40%
Growth	6	1.80%
Efficiency	6	1.80%
Courses	5	1.50%
Responsibility	4	1.20%
Trustworthy	4	1.20%
Disorganization	3	0.90%
Infrastructure	3	0.90%
Flexibility	3	0.90%
Leadership	3	0.90%
Interesting	3	0.90%
Competent	2	0.60%
Fulfillment	2	0.60%
Work	2	0.60%
Planning	2	0.60%
Acceptable	2	0.60%
Information	2	0.60%
Other words	22	6.00%

## 6. The Crisis

In mid-2007, after attending a Harvard Business School Executive Education Program, "Building Ventures in Latin America," and excited about the successful cases discussed in the program, I felt the company was missing several market opportunities. I decided to add to the company a new layer of high profile managers to help the company grow.

At the same time, I had two concerns: First, our Human Resources Manager would soon leave the company to live in Canada, and this crucial position needed to be filled. Second, I had postponed for several years my MBA studies at a university in Europe or the USA. In order to complete an MBA, I would have to be absent from the company for at least one year beginning in 2008.

In order to implement the plan hatched at Harvard's program in 2007, I hired a consultant to recruit for three key positions: a new HR Manager, a Marketing Manager, and a Finance Manager. These three new managers would have responsibility for all company operations. We also added two Sales Managers, one based in Lima and the other based in Arequipa.

By early 2008, the new management team was in place. There remained one former manager, an Operations Manager based in Arequipa. I was admitted to the MIT Sloan Fellows Program, and would be absent from the company from June 2008 to May 2009. I decided to appoint as temporary CEO the Manager of the Office in Lima during my absence. The Manager of the Office in Lima had been with the company since 2004, and had studied with Jimmy and me at the university.

Problems first appeared in January 2008. Two months after the hiring of the new Sales Manager in Arequipa, he was fired for poor performance. He was unable to exert a minimal level of control over the sales team. Sales expectations were not met. In addition, several women in the sales team reported he had sexually harassed them. A new manager was hired but after three months he also was fired. Many of the same problems appeared. Most people in the sales team had the perception that the new manager did not know how to help the team do their jobs or how to close a sale. A final factor in his firing was the discovery of

a pending sentence for falsifying a check signature in a previous job. A third Sales Manager based in Arequipa was hired in April 2008 and again fired in June 2008. Some of the previous problems appeared again, in particular the low performance of the sales team. In addition, this manager hired unsuitable employees on a permanent rather than temporary basis, making it very difficult and expensive to let them go under Peruvian law.

The Sales Manager hired in Lima was dismissed as well. In the two months he was with the company, he had a number of unexcused absences from work. The new Marketing Manager also was fired in May 2008. I worked directly with him and realized he took too much time to come up with a Marketing Plan and could not develop strategic tasks for the area. Although he had a graduate degree in Marketing from a prestigious Peruvian business school and an undergraduate degree in Psychology, his level of professional experience was not on par with the tasks required of him.

It was obvious the recruitment process for new managers was a disaster. The worst problem appeared in late July 2008 when I realized that the information in the financial reports was out of line. It became clear that money was being taken from the company. The people involved were the Financial Manager, her two assistants, and the former Office Manager in Lima who would be in charge of the company during my temporary absence. My calculations and the auditing report indicated nearly \$115,000 US dollars were taken.

In late August 2008, I decided to postpone my participation in the MIT Sloan Fellows Program. The people involved in the financial fraud were fired. However, the auditing process needed to be improved. No judicial action was taken against the people involved. The judicial system in Peru is well-known for its corruption and slowness. A judicial process takes time and money and exposes the parties involved to corrupt officials. Because of the nature of this problem, either my partner or I would have to be directly involved in any kind of judicial action. But we felt the opportunity cost to be too high to pursue prosecution.

The only manager remaining in the company after these incidents was the new Human Resources Manager (now named the Organizational Development Manager). He is still working for the venture.

In September 2008, I started to re-build the areas of Sales, Marketing and Finance. Company revenues grew from \$ 1.2 M in 2007 to \$ 1.8 M in 2008. This was due primarily to the success of the training programs in the mining industry.

By December 2008, the company's situation had improved and new training programs were developed. However another problem appeared, the world financial crisis. The price of commodities fell dramatically. With a major segment of BS Grupo's clients coming from the mining sector, the firm started to experience a sharp decrease in participants in the training programs and revenues fell.

I should recognize my responsibility as the person who made the decisions causing all the organizational problems described in this section. During mid 2007 I felt tired of trying to change the thinking of some people who were in the company at that time in key positions like the Finance Manager and the most experienced Sales People and the Operations Coordinators. I wanted to continue growing the company and accomplish bigger challenges, but was unable to do so with the team I had at that time. I think I made the right decision about letting those people go, but I made a major mistake when I hired the new managers and key employees. I was overconfident and naïve.

During the early days of the firm, I made many bad decisions about people management based on two assumptions that proved false:

- I thought people could do whatever they wanted to do, and that nothing is hard to accomplish when people want to achieve something. I realized, however, that people have limitations and, in most cases, they cannot do whatever they want. They are able to do whatever their capabilities, motivations and interests allow. By the time I realized this, I had a number of employees in the company with quite limited abilities.
- All people are honest and professional. Unfortunately, I no longer believe this is the case for all. I think the most important responsibility of a manager is selecting the right people for the job. This takes time fine and effort and cannot be delegated.

During the process of hiring new managers, I assumed that the opinion of a supposed expert, the consultant I had hired, was enough. During that time I did not doubt his capabilities or experience. This was a serious mistake.

## 7. The Current Situation

At the end of 2009, after facing the hardest year of the company's short history, BS Grupo has overcome a sharp reduction in revenues. Revenues for 2009 were \$1.2 M, the same as 2007, but almost one third less than 2008. Yet the market is slowly recovering. The prices of commodities have recovered and the Peruvian economy is expected to grow 5-6 % in 2010.

With a stronger organizational structure and a much better team, the venture is currently working on two important tasks: First, the implementation of a Quality Management System expected to be certified under the ISO 9001 standard in the first quarter of 2010. Second, the implementation of a new Information System, expected to be operational during the first half of 2010.

New partnerships have been formed with recognized international organizations such as the American Society for Quality, the American Academy of Financial Management, the University of Quebec a Chicoutimi in Canada, and leading global companies, such as Microsoft and Sun Micronics. Contacts with experts in mining from leading world universities in Canada and United States have now been established. BS Grupo is in the process of consolidating its portfolio of training products and extending its operations to Northern Peru and neighboring countries, like Colombia, Chile and Ecuador.

In addition to the partnership extensions in the training area, the company has finalized agreements to configure and offer consulting services to its current customer base, among them the major Peruvian companies in industries such as mining, telecom and manufacturing. These agreements diversify BS Grupo's sources of revenue. A Brazilian and an Indian company in the software field are the first partners in the consulting area, and a Colombian and a Chilean company will be the next partners in the areas of Operations Research and Mining Engineering.

Exhibit 2.3 provides a complete list of the current company partners of both consulting and training.

**Exhibit 2.3**  
**BS Grupo Partners**

<b>Partner</b>	<b>Country</b>	<b>Scope of partnership</b>
University of Quebec - Chicoutimi Campus	Canada	Offering graduate programs in Management and Project Management
Tarapaca University	Chile	Offering graduate programs in Management and IT
Antofagasta University	Chile	Offering graduate programs in Mining
America Society for Quality - ASQ	USA	Offering specialized certification in Quality
American Academy of Financial Management	USA	Offering specialized certification and training in Finance
Microsoft	USA	Offering specialized certification and training in IT
Sun Micronics	USA	Offering specialized certification and training in IT
Linux Professional Institute	USA	Offering specialized certification and training in IT
Peruvian Association of Software Producers	Peru	Offering specialized certification and training in IT
Xtrategus	Brazil	Implementation of IT solutions in the Quality Management Area
Source Edge	India	Developing IT solutions
I-Quartil	Colombia	Offering specialized consulting services in Operations Research
Lufkin Consultants	USA	Offering specialized training services in Mining Geology

## 8. The Future

The company's major strategic challenges in the future are the following:

- Eliminating excessive dependence on training partners. This issue is being addressed through initiatives such as establishing a Graduate School in Peru so the company can issue academic degrees without the participation of any other university and improving the level of brand recognition in the market.
- Minimizing the dependence on only a few industrial sectors such as mining. The company is diversifying the scope of the sectors it services and developing cross-industry training programs without abandoning its leading position as a training provider for mining.
- Eliminating the dependence on short cycle revenue sources dictated by the current training programs (revenue cycle of 2 to 20 months per customer). The company has immediate plans to establish a University in Peru. This would be a major source of stable revenues (revenue cycle of 5 years per customer).
- Maintaining growth in specific and very specialized training. The natural course is to look for new geographical areas and new countries to duplicate the business model and utilize the knowledge and the current partnerships of the company.

The 2013 vision statement of the company reads as follows:

“By 2013, BS Grupo will be a world class, leading knowledge provider focused on the areas of Mining, Information Technology, and specific sub-areas of Management such as Finance and Costs, Projects, Quality, Maintenance, and Operations. The company will have two business units: the first will offer training services at executive, graduate and undergraduate levels and the second will offer consulting services. BS Grupo will have an active presence in at least five countries in Latin America and will be recognized in its target niche markets by its high levels of customer satisfaction, its quality of service, and its commitment to the excellence, innovation, and development of its team, the continuous improvement of its processes, and its social responsibility.”

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## **Chapter 3**

### **The Strategic Design**

#### **1. The Strategic Design**

The strategic design lens is the first perspective I am taking to analyze BS Grupo's current organizational design.

As mentioned in by Ancona D. et al. (2005) "This perspective looks at how the flow of tasks and information is designed, how people are sorted into roles, how these roles are related, and how the organization can be rationally optimized to achieve its goals."

The three key points to be analyzed are: the strategic grouping -- how the tasks or activities are clustered; the strategic linking -- how clusters of tasks and activities are integrated; and the aligning -- how rewards, incentives, and resources are allocated to get and keep people doing the assigned tasks.

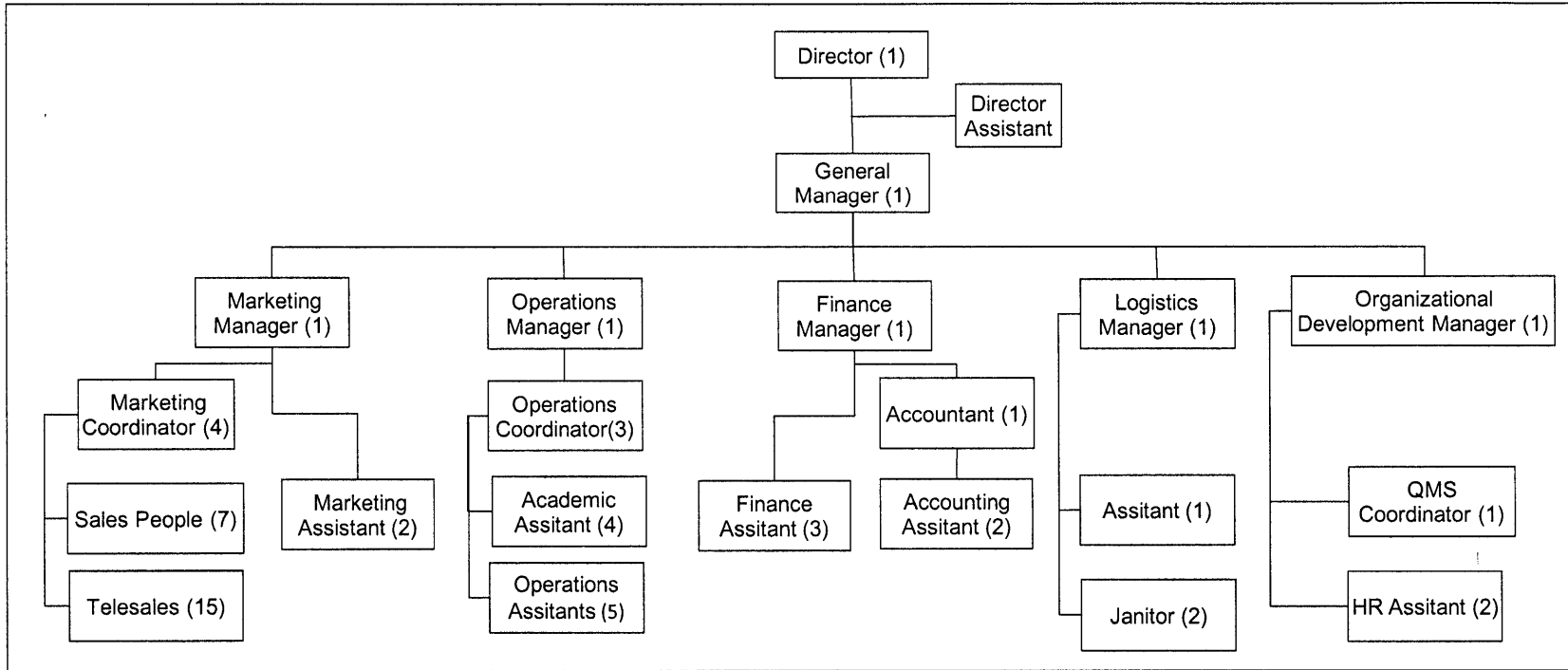
#### **2. Strategic Grouping**

##### **2.1. Evolution**

BS Grupo is grouped by function. Prior to 2008, the company had a hybrid structure with a geographical grouping by city: Arequipa, Lima, and Cuzco at the first level and a grouping by function at the second level in each city. In 2008, a first level of grouping by function was established for the entire company. The functions are: Operations, Organizational Development, Marketing, Sales, Finance, and Logistics.

The current formal strategic grouping of the company is shown in Figure 3.1.

**Figure 3.1**  
**BS Grupo Strategic Grouping**



## 2.2. Key research findings about strategic grouping

The interview data gathered in January and February 2010 revealed the following positive opinions about BS Grupo's grouping:

- "The organizational structure is very flexible and can adapt to changes" (Operations Manager).
- "The organizational structure is flat and the access to the Managers and the Director is easy" (Logistics Manager).
- "The work load is fair in most of the positions, and there are not redundant positions" (Organizational Development Assistant).

Some that need improvement, as mentioned by the employees, include:

- "Even if the organizational structure is well-defined in theory, there are some details that could be improved in practice, such as the delegation of some specific functions and responsibilities to the third level of coordination" (Operations Coordinator Arequipa).
- "The process of delegation for making decisions should be improved, as many decisions are still made at the first level of the organization (by the Director and General Manager) and it produces delays. More people at the third level (Coordinators) should be empowered to make operational decisions" (Marketing Coordinator Arequipa).
- "Since the company's organization is largely horizontal, there are few opportunities to move up in the vertical dimension; in this case, a horizontal rotation could be a good alternative" (Organizational Development Manager).
- "The position induction process for a new person joining the organization should be improved, since, under the current process, some valuable information could be lost" (Marketing Coordinator).
- "A new area focused on planning and developing new business opportunities and preventing potential risks should be implemented, having the same level as the current functional areas" (General Manager and Co-Founder).
- "Considering the expected development, a legal area should be implemented in order to prevent and manage the potential legal problems related to the company's

growth” (General Manager and Co-Founder).

The survey administrated in the company generally supported the interview data as shown in the following tables, but also pointed out areas that need further study and resolution.

**Exhibit 3.1**

**The current organizational structure is adequate (Arequipa):**

Completely agree	0%
Agree	63%
Disagree	33%
Completely disagree	4%

**Exhibit 3.2**

**The current organizational structure is adequate (Lima):**

Completely agree	5%
Agree	29%
Disagree	57%
Completely disagree	10%

**Exhibit 3.3**

**The main problems with the current organizational structure are (Arequipa):**

**(Respondents were allowed to mention more than one problem)**

Unclear positions and responsibilities	48%
Deficient planning and organization	30%
Deficient communications and coordination among functional areas	30%
Absence of employees' training	19%
Delay in payment of variable bonus	15%

### Exhibit 3.4

**The main problems with the current organizational structure are (Lima):**

**(Respondents were allowed to mention more than one problem)**

Unclear positions and responsibilities	18%
Deficient organization	11%
Deficient communications and coordination among functional areas	11%
Absence of a Manager in the Lima's Office	7%
No delegation of responsibilities	7%

In Arequipa, there is generally a positive opinion about how the organization is grouped. The opinions of the people working in the Lima Office are less positive. I believe the differences reflect the more advanced organizational development reached by the Arequipa Office. This is where the company began and where headquarters is located.

Despite the perceived adequacy of the current organizational structure in Arequipa, 48% of employees would like greater clarity in regard to their roles and responsibilities. Other major problems noted were: deficient planning and organization, deficient communications and coordination among functional areas, absence of employees' training and delay in the payment of variable bonus.

The perception in Lima is that the functional grouping must be improved. The major perceived problems are similar to those in Arequipa: unclear positions and responsibilities, deficient organization, deficient communications and coordination among functional areas, absence of a Manager in the Lima's Office and no delegation of responsibilities.

### 3. Strategic Linking

The feeling throughout the company is that the strategic linking mechanics in BS Grupo

should be improved. Problems continue to appear in the communication and coordination mechanics across functional areas. This is an issue in both offices, Lima and Arequipa.

### **3.1. Formal Reporting Structures**

Formal reporting structures are in place. Functional managers report to the Director and some areas, such as Marketing, Operations, and Organization Development also report frequently to the Director.

Inside the functional areas, reporting mechanics are also in place. The Operations and Marketing areas seem to have the more developed reporting structures. Since the Functional Managers have responsibility over the three cities where the company operates, there are some control problems during their absence. This is evident when the operational procedures are not followed or customer service is not adequate and some complaints are received from the customers.

### **3.2. Integrator Roles**

Due to the company's relatively small size, the role of integrator is assumed by me. Prior to my educational leave, I met weekly with the Functional Managers and Coordinators of the different areas. These meetings are no longer occurring, however, and no one has yet taken on the integrator role. This fact is mentioned frequently by the surveyed employees.

Most of the 12 interviewed people point out the importance of the weekly meeting as an important mechanism to solve inter-functional communication problems. But there are different perceptions about the meeting. Some of the interviewed employees believe the meetings weren't effective, lasted too long, and did not provide solutions to their problems. On the other hand, some remember the meetings as a good opportunity to say what they thought and felt at a personal level.

### **3.3. Permanent Cross-unit Groups**

Theoretically, some processes, such as Research and Development and Strategic Management process require a permanent cross-unit group. In reality, these processes are not being accomplished and have been postponed because of the problems the company has faced over the last 12 months. For example, the Research and Development process involves the Marketing Manager, Operations Manager, and the Director, but they do not meet regularly. The Strategic Management process involves Functional Managers and Coordinators from different areas, but this team also rarely meets.

### **3.4. Temporary Cross-unit Groups**

There are some mechanisms in place to create temporary cross-unit groups, such as a group to develop "Improvement Projects" as part of the firm's Quality System. In the early months of 2009 some groups were working on such projects, but the financial challenges of the first half of 2009 delayed improvement projects.

### **3.5. Information Technology Systems**

The company has a limited Information Technology System. It began with a system to manage the Sales process that ran in 2005 and 2006. In late 2006, there was a project to develop a more integrated system. But, after a year and a half, this project failed because the system's scope was too wide and the processes in the organization changed quickly to respond to the company's growth during that time. In 2008, there was an attempt to buy an external ERP System but it was never realized. Currently, the only IT system in the company is in the accounting area. The company outsources bank services to collect payments from customers and make electronic payments to providers.

The Operation Manager and the General Manager mentioned that the lack of an Information System was a cause of many problems, including having employees doing manual information processing activities that have low added value for the customer, the loss of valuable customer information, the duplication of tasks, creating difficulties in accessing information needed to make timely decisions, and a lack of coordination across the functional areas.

### **3.6. The Planning Processes**

The first attempt to establish a formal Strategic Management Planning process started in 2007 and continued into 2008. Strategic objectives for the company were set and the developments of strategic tasks were assigned to Functional Managers and Coordinators. A monthly reporting plan was also developed. This plan worked for the first months of 2008. But, because of the internal problems the company faced in the second half of 2008 and the reduction in demand for its services in early 2009, almost no attention has been focused on this process during the last 12 months.

The Operations Manager, the General Manager, the Marketing Coordinator based in Lima, and the Operations Assistant based in Arequipa mentioned as problems “the lack of direction in the path the company is following and the lack of communication of the company objectives and strategies to the employees”. Two interviewed employees in the Operation Area said they are doing their work only to fulfill the operational requirements but without any long-term orientation.

### **3.7. Key research findings about linking**

The interviews revealed that there was a common opinion shared among the 12 interviewed people that the company’s coordination mechanisms should be improved. Some ways to solve the current problems were suggested:

- “To re-implement the weekly meeting, but improving the meetings by making them more focused on solutions to problems and by communicating key information

across the functional areas” (mentioned by the General Manager and Co-founder, Operations Manager, Logistics Manager, Operations Coordinator, Operations Assistance 2, Marketing Coordinator).

- “The implementation of an Information System should be a priority as a tool to improve the availability of information and the coordination across the functional areas” (mentioned by the General Manager and Co-founder, Operations Manager).
- “The Organizational Development Area should take an active role in the communication of internal issues affecting the employees. Some people feel left out of the communication process in the company. There are many things people don’t know and, without having the information, they start to make assumptions. Some of them are wrong” (Consensus of the 12 interviewed people).

The most relevant findings to surface from the survey are shown in the following exhibits:

**Exhibit 3.5**

**The current linking mechanics are adequate (Arequipa):**

Completely agree	4%
Agree	44%
Disagree	44%
Completely disagree	6%

**Exhibit 3.6**

**The current linking mechanics are adequate (Lima):**

Completely agree	0%
Agree	48%
Disagree	48%
Completely disagree	4%

### Exhibit 3.7

**The main problems with the current linking mechanics are (Arequipa):**  
**(Respondents were allowed to mention more than one problem)**

Changes are not communicated on time	26%
Deficient communications and coordination among functional areas	19%
All the involved people are not communicated	15%
Disinterest of some employees	15%

### Exhibit 3.8

**The main problems with the current linking mechanics are (Lima):**  
**(Respondents were allowed to mention more than one problem)**

Lack of timely and adequate information	24%
Centralization in Arequipa's Office	14%
Deficient knowledge of processes	14%
Disorder	10%

The quantitative findings again confirm the perception of inadequate linking mechanics in BS Grupo. It appears there are major issues related to the timely access to adequate information and current barriers to communication across areas.

## 4. Alignment

### 4.1. Organizational performance measurement system

The first attempt to establish a performance measurement system took place in 2006. It was an individual performance appraisal based on objectives' fulfillment. Monthly objectives were set at the beginning of the month and revised in consultation with an employee's immediate superior at the end of each month. During 2008 an adjustment of

the performance measurement system was implemented for all the functions but Sales. The new objectives concerned two levels: the strategic and the operational. The Managers and Coordinators were assigned to develop strategic tasks aligned with a BS Grupo's strategic objective. Moreover, they had responsibility over some operational processes and sub-processes. The employees at the operational level were to carry out processes and sub-processes. Based on the time required and the importance of each responsibility, a weighted ratio was assigned to each assigned responsibility to calculate a "fulfillment ratio." The ratio formed 90% of the performance index. The other 10% was based on a behavioral evaluation of each employee done every three months. For Managers and Coordinators, the behavioral evaluation measured Leadership based on the Sloan Model.<sup>1</sup> For the other employees, the behavioral evaluation measured Internal Customer Service based on a model developed in BS Grupo. This performance measurement system was used until mid-2009

Sales have a performance measurement system based on fulfillment of sales quotas. Sales quotas are set at the beginning of each training program launch and the fulfillment of quotas is revised at the end of the launch. This is the criteria to measure the performance of sales people and, as such, a way to calculate variable bonuses.

The opinions about the performance measurement system as reported by employees on the survey are shown in the following exhibits. About half the employees find the system adequate , while the other half do not.

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<sup>1</sup> This model is based on The Four Capabilities Leadership Framework (FCF) which provides the framework for teaching leadership and for leadership practice in general. The FCF states that as leadership moves away from a "command and control" model to a more "cultivate and coordinate" model. The way that leadership is taught must change, too. Developed over a four-year period by Professors Deborah Ancona, Tom Malone, and Wanda Orlikowski, with Senior Lecturer Peter Senge, and tested in diverse real world settings, the FCF is a powerful tool for understanding and integrating the four critical components of leadership. For a description of the Sloan Model, see "Leadership in an Age of Uncertainty" by Ancona D. et al. (2005).

### Exhibit 3.9

#### The performance measurement system is adequate (Arequipa):

Completely agree	0%
Agree	52%
Disagree	48%
Completely disagree	0%

### Exhibit 3.10

#### The performance measurement system is adequate (Lima):

Completely agree	0%
Agree	48%
Disagree	48%
Completely disagree	4%

## 4.2. Performance measurement system and monetary rewards

In 2006, a performance measurement system related to a monetary variable reward was implemented in the Arequipa Office for all employees with the exception of sales people who traditionally worked on a fixed salary and variable bonus system based on sales objectives. It considered 50% of the salary as fixed, the other 50% variable. The variable payment was based on fulfillment of monthly objectives as described in 3.1.

To achieve the variable salary, the employee must meet at least 60% of his/her monthly objectives. From my perspective, the system functioned relatively well during 2006 and 2007. In 2008, some employees in the Lima Office started to work under this system. With the problems the company started to face in 2008, the attention Managers gave to the performance measurement system decreased. At the end of the year, there were some cases of obvious information manipulation to gain personal benefits.

During the second half of 2009, a reduction in salaries was implemented in the company. In Marketing and Organizational Development, the performance measurement system was suspended. Operations and Logistics still utilize the system, but on a partial basis.

An important point was noticed by the Organizational Development Manager who said: "During 2009 there was a reduction of 20% in variable salaries, but productivity did not fall. In fact, in some cases it increased."

In general, all of the interviewed employees in Arequipa have a positive view of the performance measurement system. People who make more of an effort and get better results should be compensated for this. But, there are also some criticisms related to how the system measures the completed tasks. Some employees feel the system does not take into account all the activities they are doing. Others feel the system does not recognize the tasks they do accomplish even if they do not obtain the required objectives. In addition, there are some critical observations about the complexity of the system and the potential incentive the system could provide by focusing on individual performance rather than collective performance.

#### **4.3. Other individual rewards and incentives**

Related to the performance measurement systems, a policy of additional individual rewards and incentives was established in 2007, in the Arequipa office. Some of the more important aspects of this policy are:

- "The best employee of the month" receives a 10% percent increase in his/her salary for that month. There was also an annual recognition for the employee with the highest rate of objectives fulfillment during the 12 months of the year.
- In addition to financial compensation, qualifying employees could participate as trainees in training programs the company was delivering. To obtain such training, employees had to fulfill a certain level of objectives during a period of time, typically a year. At least 10 employees earned training opportunities under this scheme

during 2007, 2008 and 2009.

- The Operations Manager, Logistic Manager, the General Manager and Co-founder, and I (The Director) went abroad to attend executive education programs in Adolfo Ibanez Business School in Chile, INCAE in Costa Rica, and Harvard Business School. This kind of training was held only in 2007.

In 2009, some of these incentives were discontinued. Employees' opinions on the discontinued incentives differ. Six of the interviewed people suggest more focus on non-economic rewards, and the restoration of "The best employee of the month." The access to training opportunities is highly valued across the group. Promotions are also seen as an important reward. Finally, the Marketing Coordinator in Arequipa considers it important to communicate the reward system to new employees in order to motivate them.

The opinions stated by employees on the survey are shown in the following exhibits:

**Exhibit 3.11**

**The rewards and incentives system is adequate (Arequipa):**

Completely agree	0%
Agree	52%
Disagree	48%
Completely disagree	0%

**Exhibit 3.12**

**The rewards and incentives system is adequate (Lima):**

Completely agree	0%
Agree	42%
Disagree	50%
Completely disagree	8%

In Arequipa, the perception of an adequate incentives system is slightly higher than in Lima. Since most employees connect reward and incentives with their current salary, these opinions may represent a message asking for an increase on salaries or, in some cases, the restoration of the 20% of variable salary reduced in 2009.

#### **4.4. Resource Allocation**

During the company's evolution, access to resources has been relatively easy. The focus of the company on quality and customer experience does not allow for imposing restrictions on the expenses in the functional areas. In some cases, there was misuse of resources and little concern about keeping low costs to improve margins. This lack of concern for expenses changed last year when the company faced a sharp reduction in revenues. In general, flexible resource allocation has been used as aligning mechanism to communicate to employees the company's primary focus on quality and customer service.

#### **4.5. Human Resources Development**

Some human resources development programs have been implemented in the company, including competency and leadership assessments, motivational inventories, training and career planning. The problem is that these programs were postponed during 2008 and 2009 when the Organizational Development area focused its attention on recruitment and selection of new employees. These areas have been a problem to the organization. Poor selection has led to high employee turnover.

Twelve interviewed employees perceive stagnation in the area of human resources development. Many of them state clearly that they see the Organizational Development department only as an employee recruitment area.

Ten of the twelve interviewed employees have the perception that they have the opportunity to develop inside the organization. They say they feel good about how they

have progressed at both the professional and personal level during their employment with the organization. Two of the oldest interviewed employees, who lost some of their responsibilities due to non-fulfillment of the managerial expectations, feel they are moving forward in the company.

The survey results reinforce the interview data. Most of the employees, both in Arequipa and Lima, have a negative perception on the adequateness of the human resources development in BS Grupo.

**Exhibit 3.13**

**The human resources development system is adequate (Arequipa):**

Completely agree	0%
Agree	41%
Disagree	59%
Completely disagree	0%

**Exhibit 3.14**

**The human resources development system is adequate (Lima):**

Completely agree	5%
Agree	43%
Disagree	43%
Completely disagree	9%

**4.6. Key research findings about alignment**

In general, employees of BS Grupo see a misalignment in the company among the systems of performance measurement, incentives and rewards, and human resource development. The systems are still in development and clearly need to be improved.

The temporary suspension of the Strategic Management Process which provides a

framework for aligning tasks and objectives of the employees is a key issue. Employees think they are doing their jobs on a day-day basis without knowing where the company, as a whole, is going. There are not clear organizational goals to orient the employees' efforts. The perception about the alignment systems is of course more positive among the employees who experienced rapid professional development such as the General Manager, Operations Manager, Market Coordinator in Lima and Arequipa, Operations Assistants in Arequipa, and Organizational Development Assistant in Lima.

**5. Organization's design, environment and strategy**

All interviewed employees in Arequipa stated during the interview the current strategic design is adequate for competing in the training industry in the Southern Peru area. There are suggestions for improvements, however. Among them are to build a Planning Group, establish a Legal office, and improve mechanisms to achieve more coordination. Opinions of employees based in Lima differ from those in Arequipa. All interviewed employees in Lima stated the organizational design should be improved. The survey findings are shown in the following exhibits:

**Exhibit 3.15**

**BS Brupo's design fits the environment and the organization's strategy (Arequipa)**

Completely agree	0%
Agree	52%
Disagree	44%
Completely disagree	4%

**Exhibit 3.16**

**BS Brupo's design fits the environment and the organization's strategy (Lima)**

Completely agree	0%
Agree	33%
Disagree	43%
Completely disagree	24%

**Exhibit 3.17**

**BS Grupo is effectively competing with others firms trying to achieve similar goals  
(Arequipa):**

Completely agree	4%
Agree	59%
Disagree	37%
Completely disagree	0%

**Exhibit 3.18**

**BS Grupo is effectively competing with others firms trying to achieve similar goals  
(Lima):**

Completely agree	10%
Agree	43%
Disagree	33%
Completely disagree	14%

BS Grupo's design is perceived better in Arequipa than in Lima. I believe this is the case because of the more advanced organizational development and market position in Arequipa. But in both locations, most interviewed employees perceive BS Grupo as a competitive company.

Employees' opinions expressed in interviews about meeting customer's requirements are positive. All interviewed employees believe the core of BS Grupo services is delivering the value expected by customers, but they also recognize that customers' expectations are increasing constantly and it is hard to meet all the customers' expectations. The strengths of the services mentioned most often are the quality of the faculty, the partners, and the innovative topics the company develops. The weaknesses are related to complementary activities around the training process such as coordination and communication with the customers. Interestingly, the results of the quantitative study are contradictory with the qualitative findings. Employees in both Lima and Arequipa are less positive on paper than they are when being interviewed.

**Exhibit 3.19**

**BS Grupo is meeting the requirements of customers (Arequipa):**

Completely agree	0%
Agree	35%
Disagree	57%
Completely disagree	8%

**Exhibit 3.20**

**BS Grupo is meeting the requirements of customers (Lima):**

Completely agree	0%
Agree	33%
Disagree	62%
Completely disagree	5%

Customer feedback is quite positive in terms of BS Grupo's ability to meet customer expectations. During the years 2007, 2008 and 2009, the firm averaged almost 5.7 on a scale of 0 (unsatisfied) to 7 (completely satisfied). Customers seem reasonably happy but the employees feel the company could do better. This is, perhaps, less a contradiction than

an indication of the desire of the employees to do better. On the whole, this seems to be a desirable situation and a sign that those in the company are striving for excellence.

## **6. Conclusions**

Among employees, there are several positive perceptions related to the flatness of the organization, ease of accessibility to managers, and an adequate workload. There are, however, several areas to be improved in the current BS Grupo's strategic design:

- Assign individual roles and responsibilities more clearly.
- Improve authority delegation mechanisms.
- Establish a Planning Function and a Legal Office.
- Re-implement weekly cross-function meetings.
- Implement an Information System.
- Improve communication channels.
- Fix the perceived misalignment in the company among the systems of performance measurement, incentives and rewards, and human resource development.
- Re-implement the Strategic Management Process.

After analyzing BS Grupo's current organizational structure using the strategic design in this chapter, the following chapter looks at the company through the political lens.

## **7. References**

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## **Chapter 4**

### **The Political Lens**

#### **1. The Political Lens**

Having analyzed BS Grupo's organizational design using the strategic design lens, in this chapter I use the political perspective to examine the company's organizational design.

As stated in "Three Perspectives on Organizations" (Ancona D. et al.,2005) the political lens "looks at how power and influence are distributed and wielded, how multiple stakeholders express their different preferences and get involved in, or excluded from, decisions and how conflicts are resolved".

The political lens differs from the strategic design in that it tries to understand issues such as interests, conflict, competition, coalition-building and negotiation. The strategic design is a more rational perspective looking for organizing and coordinating activities inside a company, and trying to achieve an "optimal" solution.

#### **2. Interests**

The personal interests stated by the people interviewed are described in the following sections. I grouped these interests in four categories related to (i) professional development, (ii) BS Grupo's potential growth, (iii) employment and (iv) what people value and enjoy in the company.

##### **Interests related to professional development:**

- "The company is attractive for me since it is in a growth process. This is a company where you could acquire experience. More important than the economic reward is the development opportunity. This is a good company for people who like challenges and want to do things" (Organizational Development Manager).

- “I have the feeling I have experienced professional development. I joined the company as an intern and I have ascended and I have noticed the compensation directly. Another attractive thing for me is that, in the company, you can propose and implement your ideas” (Marketing Coordinator, Arequipa).
- “What is interesting for me is the opportunity for development. When I joined the company I was attracted by the potential growth and by the company’s vision” (Salesperson, Lima).
- “At this point of time, I’m not very satisfied with my current position. I feel like I have gone back. I’d like to have new responsibilities for my position” (Logistics Manager).

**Interests related to BS Grupo’s potential growth:**

- “From the first day I was in the company, I have been impressed by the company’s potential. In my personal case, I have had the opportunity to ascend in the company; I think this is something really good” (Marketing Coordinator, Lima).
- “For me, the company’s growth potential is interesting. The opportunity for personal development through access to the training programs offered by the company is very attractive too. Another attractive thing is that I can make decisions by myself, not only follow instructions like what happens in a big company” (Organizational Development Assistant, Lima).
- “The attractive thing for me is the company’s growth. I like it and find it admirable. I like the flexibility of the schedule and the work environment” (Marketing Assistant, Arequipa).

**Interests related to employment:**

- “Basically I feel good because I can work for the company while I’m completing my university studies. The company has always given me its support and access to training programs” (Operations Assistant 2, Arequipa).
- “I like that the company gave me an opportunity I was not given in other companies. I really thank the company for giving me this opportunity. This opportunity has helped me to improve my self-esteem and my leadership, in addition, now I have the opportunity to study. I did not have this opportunity before because of my economic condition. I like the flexibility of the schedule” (Operations Assistant 1, Arequipa).

- “The attractive thing for me, when I joined the company, was to discover a new professional area: training services. Another thing was the youth and the professional level of the people leading the company” (Operations Coordinator, Arequipa).

**Interests related to things people value and enjoy:**

- “I really like the organization’s capability to do things; I like the phrase about achieving important things with limited resources. It’s rewarding to be in an organization helping other people’s development and being recognized by those people makes me feel proud” (Operations Manager).
- “The attraction for me is the learning process. Every day you can learn something new. I like to be in a continuous learning process and face more challenges. In addition, I’m working for something of my own; I feel I’m building something. I like the company’s growth. The company is generating work for 60 people; this issue is very motivating for me” (General Manager and Co-Founder).

Most interviewees see their time in the company as a development opportunity. In my opinion this interest is related to people who want to develop their professional capabilities and to gain experience in order to get a better job in BS Grupo or in a bigger company.

The second group of interests is related to people who see the company’s potential growth as a good opportunity to develop a career in the company.

The third group of interests is related to simply having a job; some people in this group have flexibility in their work schedule so they can balance extra labor activities like studies and household chores.

The fourth group of interests is related to those who enjoy and value what they are doing. This is the smallest group of employees and is concentrated in the management level.

### **3. Power**

Power, as defined by Pfeffer (1992), is “the potential ability to influence behavior, to change

the course of the events, to overcome resistance, and to get people do things that they would not otherwise do.” In BS Grupo’s context, power is the capacity of some employees to support or block the initiatives of the management team. It is important to understand these dynamics in order to take actions that could increase the likelihood for success of changes in BS Grupo’s strategic grouping.

To analyze how power is held and used by people in BS Grupo, I have examined the following aspects: reputation, observation of consequences, and signs of power.

### 3.1. Reputation

Reputation was addressed in the context of prestige inside BS Grupo. On the survey, employees were asked the question: “Who has more reputation in the organization?” The results are below in exhibits 4.1 and 4.2.

#### Exhibit 4.1

#### Who has more reputation in BS Grupo? (Arequipa)

(Respondents were allowed to mention more than one person)

General Manager and Co-Founder	56%
Director	26%
Operations Coordinator	19%
Director’s Assistant	11%
Marketing Coordinator	11%

### Exhibit 4.2

#### Who has more reputation in BS Grupo? (Lima)

(Respondents were allowed to mention more than one person)

Marketing Coordinator	62%
No one	19%
Sales Coordinator	14%
Director, General Manager and Co-Founder, Operations Manager, Operations Coordinator, Organizational Development Manager, Salesperson 1.	10% each

The presence of managers in the lowest level of perceived reputation in Lima reflects that those employees are not aware of managerial influence in their location. From my perspective, it could be explained by the fact that headquarters are based in Arequipa and Managers spend most of their time in this location. One of the major problems mentioned in Chapter 3 was the “absence of a manager in the Lima office.” People in Lima are perhaps requesting a visible Manager at that location.

### 3.2. Observation of Consequences

The functional areas perceived as the most important or the most favored during the allocation of organizational resources were identified in the survey. The results are shown in exhibits 4.3 and 4.4.

**Exhibit 4.3**

**Which two areas are the most important? (Arequipa)**  
**(Respondents were allowed to mention two areas)**

Operations	63%
Sales	44%
Marketing	44%

**Exhibit 4.4**

**Which two areas are the most important? (Lima)**  
**(Respondents were allowed to mention two areas)**

Sales	57%
Operations	52%
Marketing	19%

There is a consensus about the perception of Operations as a key area to deliver services to customers and the importance of Sales and Marketing to generate revenues.

Exhibits 4.5 and 4.6 show the answers obtained in the survey in response to a question about support provided to the functions.

**Exhibit 4.5**

**Which two areas receive the most support? (Arequipa)**  
**(Respondents were allowed to mention two areas)**

Operations	59%
Marketing	41%
Sales	37%

**Exhibit 4.6**

**Which two areas receive the most support? (Lima)  
(Respondents were allowed to mention two areas)**

Sales	62%
Operations	33%
Marketing	14%

Both in Lima and Arequipa, the survey confirms the previous findings about the perceived importance in BS Grupo of the Operations, Marketing and Sales areas. One interpretation of these results is that they suggest a strong orientation to the customer in BS Grupo.

**3.3. Symbols of Power**

Power as perceived influence was a survey item. The question asked was, "Which people have more influence in the organization?" Respondents were asked the questions in regards to both formal and informal organization. The formal environment results are shown in the exhibits 4.7 and 4.8.

**Exhibit 4.7**

**Two people with the most influence in the formal organization (Arequipa)  
(Respondents were allowed to mention more than one person)**

General Manager and Co-Founder	52%
Director	48%
Operations Manager	30%
Organizational Development Manager	19%

**Exhibit 4.8**

**Two people with the most influence in the formal organization (Lima)  
(Respondents were allowed to mention more than one person)**

Marketing Coordinator	38%
Operations Manager	33%
Director	29%
General Manager and Co-Founder	11%

Findings in exhibits 4.7 and 4.8 point out the differences between the two sites, Arequipa and Lima. As in the reputation question, the absence of a manager in the top of the influential employees ranking in the Lima office is notable. Another important consideration is that employees in Arequipa are very close to the financial resources as managed by the General Manager and Co-Founder. The management of scarce resources is, as always, a major source of perceived influence.

The second symbol of power I have analyzed is the perceived influence in the informal organization. The exhibits 4.9 and 4.10 show the answer to the question, "Who are the two people with the most influence in the informal organization?"

**Exhibit 4.9**

**Two people with the most influence in the informal organization (Arequipa)  
(Respondents were allowed to mention more than one person)**

Marketing Coordinator	26%
Operations Manager	11%
Operations Coordinator	11%
Operations Assistant 2	11%
Internship personnel	11%

### Exhibit 4.10

#### Two people with the most influence in the informal organization (Lima)

(Respondents were allowed to mention more than one person)

No one	43%
Operations Coordinator	24%
Marketing Coordinator	19%
Organizational Development Assistant	19%

In the Arequipa office, the informal leader is the Marketing Coordinator, a person who ascended in the organization after she joined the company in 2007 as an intern. One of the second tier informal leaders is the Operations Assistant 2, the oldest employee in the company. In the Lima office, there is not a common view of an informal leader. Surveyed employees mentioned No one, Operations Coordinator and Marketing Coordinator and Organizational Development Assistance. The Marketing Coordinator based in Lima is listed in the top influence positions in both the formal and the informal organization.

#### 4. Networks

I analyzed consultation and informal relationship networks using the responses to two questions showed in exhibits 4.11, 4.12, 4.13 and 4.14 for both offices, Lima and Arequipa:

**Exhibit 4.11**

**To whom do you go with the most frequency to consult about your work? (Arequipa)**  
**(Respondents were allowed to mention more than one person)**

Marketing Coordinator	22%
Director	19%
Operations Assistant 1	19%
Marketing Assistant	15%

**Exhibit 4.12**

**To whom do you go with the most frequency to consult about your work? (Lima)**  
**(Respondents were allowed to mention more than one person)**

Marketing Coordinator	43%
Marketing Coordinator (Sales)	33%
Organizational Development Assistant	24%
Operations Coordinator	19%

**Exhibit 4.13**

**Who are the three people to whom you relate in an informal way? (Arequipa)**  
**(Respondents were allowed to mention three people)**

Marketing Coordinator	37%
Marketing Assistant	22%
Telesales person 1	22%
Accounting Assistant 1	19%

#### Exhibit 4.14

#### Who are the three people to whom you relate in an informal way? (Lima)

(Respondents were allowed to mention three people)

Marketing Coordinator	38%
No one	29%
Organizational Development Assistant	24%
Operations Coordinator	19%

In the Arequipa office, the help-and-advice hubs are the Marketing Coordinator, the Director, the Operations Assistant 1 and the Marketing Assistant. The person with the best network appears to be the Marketing Coordinator. The Marketing Assistant is the other person who has a solid help-and-advice and informal network.

In Lima office, the help-and-advice leader is the Marketing Coordinator, who, in addition, has the best network in the informal organization. Other key people in Lima are the Marketing Coordinator (Sales) and the Organizational Development Assistant.

#### 5. Conclusions

I identify four major interests in BS Grupo's employees: interests related to professional development, interests related to BS Grupo's potential growth, interests related the job itself, and interests related to the things people value and enjoy.

Reputation, understood as prestige in the organization, is held by the General Manager and Co-Founder, the Director, the Operations Coordinator based in Arequipa and the Marketing Coordinator based in Lima.

Operation and Sales are perceived as the most important functions and are seem as the areas receiving the most support in the company.

The people with most influence in the formal organization are: the General Manager and Co-Founder, the Director, the Operations Manager and the Marketing Coordinator based in Lima. Employees with most influence in the informal organization are the: Marketing Coordinator, the Operations Manager and the Operations Coordinator in Arequipa. In the Lima office, the most influential employees are the Operations Coordinator and the Marketing Coordinator.

The strongest help-and-advice networks are held by the Marketing Coordinator, the Director and the Operations Assistant 1 in Arequipa. In Lima, the strongest help-and-advice networks are held by the Marketing Coordinator and Marketing Coordinator (Sales). The people with the strongest informal networks are the Marketing Coordinator and Marketing Assistant in Arequipa and the Marketing Coordinator in Lima.

The most powerful employees in BS Grupo are the General Manager and Co-Founder, the Director, and the Operations Manager. The Marketing Coordinator and Operations Coordinator based in Arequipa form the second tier. In the Lima office the most powerful employee is the Marketing Coordinator; the absence of perceived powerful managers is notorious in Lima. All these employees are aligned with or are members of the management team.

A positive aspect is that most employees with the highest reputation and most power and influence in the organization are aligned with the management objectives. Even so, in my opinion, there could be a stronger presence of managers in the areas of reputation, power, and influence rankings in BS Grupo.

The employees' interest related to professional development and BS Grupo's potential growth are adequate for the context of the company, since these people want to grow the company to fulfill their personal goals. On the other hand, employees whose major interest is related to the job itself are the most likely to leave the company when they find a better job opportunity.

The organizational focus on the customer could be an interpretation of the perceived major importance of the Operation and Sales functions in BS Grupo. An issue to be analyzed is

the absence of managers in help-and-advice and informal networks. This could be a signal of a long organizational distance between the management team and the employees.

The following chapter analyzes BS Grupo's organizational structure from a cultural perspective. This perspective will complement the two previous perspectives, the strategic and the political.

## **6. References**

Ancona D., Kochan T., Van Maanen J., Westeny E. 2005. "Three Perspectives on Organizations", Management For The Future: Organizational Behavior and Processes. South-Western Publishing, 3rd edition.

Pfeffer, Jeffrey 1992. "Managing with Power: Politics and Influence in Organizations". Boston, MA. Harvard Business School Press.

## **Chapter 5**

### **The Cultural Perspective**

#### **1. The Cultural Perspective**

In this chapter, BS Grupo's organizational structure is analyzed from a cultural perspective. The cultural lens "looks at how history has shaped the assumptions and meanings of different people, how certain practices take on special meaningfulness and even become rituals, and how stories and other artifacts shape the feel of an organization" (Ancona D. et al.,2005).

I analyze symbols and meaning, personal identity, social norms and history as they are described by employees from different points of view. This description is based on the findings of both interviews and surveys.

This perspective is useful to understand how well BS Grupo's current culture fits the intended strategic design.

#### **2. Symbols and Meaning**

The following opinions about the meaning of BS Grupo to its employees were collected via interviews:

##### **Meanings related to the image of an interrelated team:**

- "BS Grupo's logo is a sign of functions that are related to each other" (Marketing Assistant, Arequipa).
- "The logo reflects interrelation among functions" (Marketing Coordinator, Arequipa).
- "Another symbol is the relationship with the University of Tarapaca. Frequently our company has been associated by our customers with that university" (General Manager and Co-founder).

**Meanings related to instability:**

- “In Lima you arrive at the office in an old elevator. Many people with high potential have declined the job in Lima because of the office’s infrastructure” (Organizational Development Manager).
- “We have not had an identified symbol. To identify a symbol, people should spend some time in the company. Because of the high turnover ratio, few people have spent much time in the company and this has prevented the identification of a symbol” (Organizational Development Assistant, Lima).

**Meanings related to quality:**

- The phrase ‘knowledge for growing’ caught my attention. It sounds as if the courses were focused on quality” (Marketing Assistant, Arequipa).
- “Our logo with the phrase ‘knowledge for growing’ reflects everything for me” (Marketing Coordinator, Lima).

**Meanings related to solidness and stability:**

- “BS Grupo’s building in Arequipa reflects solidness and stability” (Organizational Development Manager).
- “The building at the Arequipa office is a symbol. It is a big and modern place” (General Manager and Co-founder).
- “The infrastructure in the Arequipa office is nice. On the weekends you can see our customers there” (Marketing Coordinator, Arequipa).
- “The word ‘group’ gives me an image of institutional endorsement and solidness” (Marketing Coordinator, Lima).

**Meanings related to innovation and entrepreneurship:**

- “I connect the idea of BS Grupo with a group of people who are developing and want to do something innovative” (Operations Assistant 1, Arequipa).
- “Our name BS Grupo. For me, this means a group of talented people who have formed a team to do innovative projects” (Operations Coordinator, Arequipa).
- “The logo’s color is uncommon, few companies use a color like that, so it looks innovative” (Marketing Coordinator, Lima).

- “The logo, the colors, the image of the founders, the history of how BS Grupo was started up. For me the image of the founders reflects things like: big tasks could be achieved, commitment, hard work, decision and dedication” (Organizational Development Manager).

Five categories of meaning were observed. The categories are associated with an interrelated team, instability in Lima, quality, solidness and stability in Arequipa, and with innovation and entrepreneurship. In my opinion, these meanings reflect BS Grupo’s history, focus on quality, organizational development in Arequipa, and organizational underdevelopment in Lima.

On the surveys, employees were asked: What does BS Grupo mean to you? The results are shown in the exhibits 5.1 and 5.2 below.

**Exhibit 5.1**

**What does BS Grupo mean to you? (Arequipa)  
(Open-ended question)**

A company training professionals	48%
Entrepreneurial venture	15%
My working place	15%
High quality trainers	11%
Commitment to the company	7%
Young and inexperienced venture	4%
Innovation in services	4%
Competitive venture	4%

**Exhibit 5.2**  
**What does BS Grupo mean to you? (Lima)**  
**(Open-ended question)**

No response	29%
Innovative venture with a potential for growth	19%
A company training professionals	14%
A company giving me the opportunity for development	14%
Training, specialization and professionalism	5%
Young and competitive venture	5%
Venture with a excellent objective but with deficiencies	5%
Young and inexperienced venture in the management of people	5%
Venture with excellent products but disorganized	5%

The perception of the company as a training company for professionals is strong in both the Arequipa and Lima offices. The other most mentioned meanings are related to the entrepreneurial character of BS Grupo and the employees' perception that the company is a source of opportunities for professional development. There are some meanings related to the growth potential, the competitiveness and the innovative character of BS Grupo. On the other hand there are meanings related to inexperience, deficiencies and disorganization (mainly in Lima).

**3. Identity**

The major characteristics reflecting BS Grupo's identity mentioned by the interviewees are described and grouped below:

**Characteristics related to quality and focus on customers:**

- The quality of the faculty (Marketing Assistant, Arequipa; Operations Assistant 1, Arequipa; Marketing Coordinator, Lima; Operations Coordinator, Arequipa; Organizational Development Manager).
- “The quality of our training materials” (Operations Assistant 1 Arequipa).
- “The good partnerships” (Marketing Coordinator Lima).
- “The orientation to customers” (Marketing Coordinator Arequipa).

**Characteristics related to organizational flexibility and flatness:**

- The flexibility of schedules, you can arrive late but leave late too (Marketing Assistant, Arequipa; Operations Assistant 2, Arequipa).
- The agreeable work environment, the collaboration among people (Marketing Assistant, Arequipa; Marketing Coordinator, Arequipa).
- The ease of communication with the people in BS Grupo. There are not big distances among people in different organizational levels. Nobody uses the word ‘Sir’ (Operations Assistant 2, Arequipa; Organizational Development Assistant, Lima; Logistics Manager).

**Characteristics related to organizational instability and disorder:**

- The high turnover in the company's personnel (Operations Assistant 1, Arequipa; Logistics Manager).
- Improvisation (Operations Assistant 1, Arequipa; Operations Coordinator, Arequipa).
- “Disorder related to innovation is inherent to the organization. There is a lot of disorder and communication holes. The procedures are not being followed because it is necessary to respond quickly” (Operations Manager).

**Characteristics related to the ease of change:**

- The continuous adaptation of the company to changes (Operations Assistant 1, Arequipa; Operations Assistant 2, Arequipa).
- “I do not know if it is the adaption to change or the improvisation” (Operations Assistant 2, Arequipa).

**Characteristic related to the pressure to get things done:**

- “The level of exigency, you have to accomplish your tasks, there is no alternative” (Operations Assistant 2, Arequipa).

**Characteristics related to financial difficulties:**

- “The delay of payments to our providers” (Organizational Development Assistant Lima).
- “The delay in the payment of salaries” (Organizational Development Manager).

**Characteristics related to a particular leadership style:**

- “The youth, the intellectual and professional level of the personnel” (Organizational Development Manager, General Manager and Co-founder).
- “The leadership focused on getting things done and innovation are the company’s trademarks” (Operations Manager).
- “The continuous feeling of nonconformity” (Operations Manager).
- “Some managers in the company have facial hair, jeans, and long hair” (Organizational Development Manager).

**Characteristics related to the company’s growth:**

- “The company’s growth, with the exception of 2008” (General Manager and Co-founder).

I identified as BS Grupo’s major identity marks quality, the focus on the customer, the organizational flatness and flexibility, organizational instability and disorder, the ease of change, the pressure to get things done, financial difficulties, the company’s growth and the leadership style. These identity marks reveal a particular, flat, flexible, young, entrepreneurial, quality-driven, and growing organization with problems of organizational disorder and financial constraints.

On the surveys two questions were put to employees: “Mention two positive characteristics of BS Grupo” and “Mention two negative characteristics of BS Grupo.” Results are shown in the exhibits 5.3, 5.4, 5.5 and 5.6 below.

**Exhibit 5.3**

**Two of BS Grupo's Positive Characteristics (Arequipa)  
(Most frequent responses)**

Good work environment	26%
Perseverance	15%
Care	15%
High professional level	11%

**Exhibit 5.4**

**Two of BS Grupo's Positive Characteristics (Lima)  
(Most frequent responses)**

Innovation, entrepreneurship and continuous improvement	24%
Good work environment	19%
Good partnerships agreements	19%
Quality and satisfied customers	14%

**Exhibit 5.5**

**BS Grupo's Negative Characteristics (Arequipa)  
(Most frequent responses)**

Lack of coordination	44%
Postponement of the courses' beginning	26%
High turnover in the company's personnel	11%
Fault of seriousness	11%

**Exhibit 5.6**  
**BS Grupo's Negative Characteristics (Lima)**  
**(Most frequent responses)**

Lack of effective organization	33%
Absence of an Office's Manager	19%
Delay in the payment of salaries	19%
Postponement of the courses' beginning	10%

The survey findings reinforce the interview findings. The positive characteristics mentioned by those surveyed are the good work environment and the innovation, entrepreneurship and continuous improvement in BS Grupo. Most common negative characteristics are the lack of coordination and an effective organization.

**4. Social Norms**

During the interviews, three of the twelve interviewed people said that they do not have a perception of social norms. The other nine interviewed people mentioned the following social norms which have been grouped below as follow:

**Pressure to get things done:**

- "Exigency, you have to get things done, you cannot have excuses" (Operations Assistant 2, Arequipa).
- "If you are a salesperson, you have to fulfill your objectives or you will be fired" (General Manager and Co-founder).

**Pressure to get things done:**

- "If I need to stay extra hours in the company, I just stay" (Operations Assistant 2, Arequipa).
- "If I arrived late at work, I would leave late too" (Operations Assistant 2, Arequipa).

**Appreciation of high performers:**

- “It’s valued to do more than is expected of you. Doing nothing and having no responses to problems is socially sanctioned” (Organizational Development Manager).
- “The capacity to accomplish important things with limited resources is valued in the company” (Organizational Development Manager).

**Pressure of peers:**

- “Things that are not well-regarded are a lack of punctuality and disorder” (Marketing Coordinator, Lima).
- “Someone who comes to the company inappropriately dressed is not well-regarded by the other people” (Marketing Coordinator, Lima).
- “Abusing trust is not well-regarded” (Marketing Coordinator, Arequipa).

**Room to do things:**

- “There is freedom to assume the responsibility of what you are doing; there are not restrictions on doing things” (Operations Manager).

**Informal communication:**

- “No one uses the word ‘Sir’ with other employees in BS Grupo” (Operations Assistant 2, Arequipa).

**High importance of Director’s opinion:**

- “The last word is had by the Director” (Logistics Manager).

**No compliance of formal norms:**

- “There are no formal norms, and if norms are set, nobody complies with them” (Operations Coordinator).

I could say that the main norm is “no formal norms.” However, there are some informal social norms. The most often mentioned are: pressure to get things done, appreciation of high performers, and pressure of peers.

On surveys, two questions were asked about social norms: “What conduct/behaviors are well-regarded in BS Grupo?” and “What conduct/behaviors are not well-regarded in BS Grupo?” Findings are shown in Exhibits 5.7, 5.8, 5.9 and 5.10 below.

**Exhibit 5.7**

**Two conduct/behaviors well-regarded in BS Grupo (Arequipa)**

Giving good service to the customer	22%
Giving quality service	19%
Fulfillment	15%
Proactivity	11%
Efficiency	11%

**Exhibit 5.8**

**Two conduct/behaviors well-regarded in BS Grupo (Lima)**

Productivity	19%
Team working	19%
Professional behavior	14%
Commitment	10%
Fulfillment of sales objectives	10%

**Exhibit 5.9**

**Two conduct/behaviors not well-regarded in BS Grupo (Arequipa)**

Non-fulfillment	44%
Lack of organization	26%
Irresponsibility	11%
Lack of seriousness	11%

### Exhibit 5.10

#### Two conduct/behaviors not well-regarded in BS Grupo (Lima)

Lack of commitment	24%
Lack of punctuality	14%
Employee mistreatment	14%

In general, in BS Grupo, customer service, fulfillment and productivity are highly valued. Characteristics that are not valued are non-fulfillment, lack of organization, and lack of commitment. These results obtained in the surveys reinforce the social norms identified during the interviews. Giving quality service, performing well, and being committed to the company are highly valued by employees. On the other hand, low performance and non-professional behaviors are not well-regarded.

## 5. History

Interviewed employees were asked to describe briefly the history of BS Grupo. The obtained descriptions are shown as grouped by similarity:

### A history of achievement:

- “This is a company that in a short time has made important achievements. BS Grupo has a good position in the market. It is a company that started up with constrained resources, and, with good management, has gained prestige. It’s a company with a friendly and familiar origin. The company still needs to make more of an effort” (Organizational Development Manager).
- “BS Grupo is a company which has developed quickly. There have been good and bad times. We should see the bad times as an opportunity to recover and overcome difficulties. The company still needs to be developed more” (Marketing Coordinator Arequipa).

- “This is a particular case of entrepreneurship based on a strong determination to reach an objective. We are a company that is used to accomplishing big goals with limited resources” (Operations Manager).
- “BS Grupo is a services company started up by a team which is very young and has done big things. The company offers training programs and gives job opportunities” (Operations Assistant 1, Arequipa).

**A history of change and crisis:**

- “Continuous change, we are always changing. Maybe the only constant has been the change. We are always hiring new employees and firing people” (Organizational Development Assistant, Lima).
- “It is like the Pharaoh’s dream about fat and lean cows in the Bible; it has always been nice to be in BS Grupo, because, as an employee, you could see the growth. But the crisis arrived. There has been a change in the revenues and expenses in the company and now it is different than before. We have had a growth process and now the growth has stopped” (Operations Assistant 2, Arequipa).

**A history of disorder:**

- “When I joined the company, I was surprised by the company’s structure. I was surprised by the young age of the Director and the General Manager. But when I started my work I could see that many things were not going well, things that should be normalized, aligned. The company needs norms and regulations to support its vision” (Operations Coordinator).
- “Lack of leadership, lack of adequate organization. The strength is the company’s potential” (Marketing Coordinator, Lima).

**A history of innovation:**

- “BS Grupo is innovation; we try to go in advance of our competitors. BS Grupo is growth, inexperience in some sense, high turnover of personnel, ambition. The company always wants to achieve something bigger” (Logistics Manager).

**A history of improvement:**

- “BS Grupo is a company that started up in 2000. Through these years the company has improved its quality of service. People who have been involved in the growth process are well trained and have a big vision to develop the company more” (Marketing Assistant, Arequipa).

**A Gratifying experience:**

- “Effort, hard work, and growth. This is a very gratifying experience. I have always thought we started the company at the right moment, before or after that moment it would not have worked” (General Manager and Co-founder).

The histories described by employees could be summarized with these words: achievement, change and crisis, disorder, innovation, improvement and a gratifying experience.

**6. Conclusions**

BS Grupo means for its employees: an interrelated team, instability in Lima, quality, solidness and stability in Arequipa, innovation and entrepreneurship, and a company training professionals.

The firm could be characterized by its focus on quality and customers, organizational flexibility and flatness, organizational instability and disorder, ease of change, financial difficulties, particular leadership style and growth.

Social norms include the pressure to get things done, the appreciation of high performers, the pressure of peers to perform well, the informal communication, and the non-compliance with formal norms.

BS Grupo's history could be described as a history of achievement, change and crisis, disorder, innovation, improvement, and as a gratifying experience.

Most of the cultural expressions of BS Grupo are quite positive. The appreciation of high performers and the pressure of peers to perform well are aligned with the sense of meritocracy I want to implant in the company. The flexibility and ease of change are well-suited for BS Grupo's innovative approach to the market. The care for the quality and the continuous improvement are fundamental for the continuous search to provide an excellent service to customers.

On the other hand, there is a perception of organizational instability and disorder; this perception could be transmitted to BS Grupo's customers. In an industry where reliability and solidness are important features, those of perceptions could be dangerous for the consolidation of the company in the Peruvian market. In addition, such perceptions could make it harder to attract high performers to the company as it grows.

In the next chapter, the recommendations after analyzing BS Grupo's organizational structure using the three lens -- strategic, political and cultural -- are presented.

## **7. References**

Ancona D., Kochan T., Van Maanen J., Westeny E. 2005. "Three Perspectives on Organizations", Management For The Future: Organizational Behavior and Processes. South-Western Publising, 3rd edition.

## **Chapter 6**

### **Recommendations**

In this chapter, I make suggestions for changes to be implemented in BS Grupo. These suggestions will be discussed with the current management personnel of BS Grupo and, after being revised based on their input, will be implemented. Implementation will take place over a six month period starting in July 2010. A special task group will be formed to accomplish this objective. After that period, results will be evaluated and adjustments made during the first three months of 2011.

#### **1. Strategic Design**

##### **1.1. Grouping**

The current grouping will be maintained but with the addition of two functional areas: Planning and Research and Development. In addition, an outsourced legal office will be established.

However, the major concern of Arequipa's employees is about "unclear positions and responsibilities." In my opinion this could be a perception bias, since the structure, functions and procedures are well defined in Arequipa. To overcome this perception, a formal and updated review and communication of functions and responsibilities will be carried out.

In the case of the Lima Office, the implementation of the company's Quality System could help to solve current organizational problems. A formal review and communication of functions and responsibilities will be carried out. An improvement in the current location's infrastructure could reduce the perception of disorder and disorganization. A level of coordination should be developed in Lima to fill an apparent emptiness of authority. The presence of the Management Level in the Lima Office will be increased. I will spend half of my time in the Lima office and I will ask the other

managers to do the same. After that I expect the perception of managers' absence in the Lima office will change.

The certification of the company's Quality System under the standard ISO 9000 should improve the credibility of the current company's grouping. I think there is a problem of perception and internal image. Although there are some problems related to grouping, my perspective is that this perception is exaggerated by some who are dissatisfied in the company. They are influencing other employees through their informal leadership roles.

An internal image campaign will be carried out in both company's locations, since positive things in the company are not currently valued by employees. This internal image campaign should be focused on the positive features of BS Grupo, such as innovation, organizational flatness, and flexibility. An internal bi-monthly communication newsletter will be established and circulated; in this publication, the company will communicate its achievements in terms of customer satisfaction and benchmark industry indexes. Initiatives of continuous improvement projects, such as the participation in the Peruvian National Quality Competition and the progresses of our quality system, will be also communicated in the newsletter.

## **1.2. Linking**

Linking mechanisms should definitively be improved. Two meeting schemes must be implemented. The first scheme is a weekly, inter-functional meeting where the functional areas' managers solve operational issues that have arisen during the last seven days. The resolutions arrived at should be formally communicated to all the involved employees. The second scheme is a monthly meeting, to be held in both locations, Lima and Arequipa, where all employees are formally informed about the company's performance and rewards such as the "Best Employee of the Month" would be conferred. I will personally lead these meetings.

### **1.2.1. Formal Reporting Structures**

A normalized and simple reporting structure will be put in place. All the employees in the organization report to their immediate superior on a pre-established basis. The reporting frequency could be weekly, bi-weekly or monthly; the immediate superiors will decide the reporting frequency in collaboration with the reporting person. The report should focus on results and the level of fulfillment of assigned tasks. An emphasis should be put on objective data to measure the level of fulfillment.

### **1.2.2. Integrator Roles**

Key employees will be empowered to assume integrator roles. Inter-functional meetings could be led by key employees for a period of time, say, one month. Operational issues will be addressed by teams led by people at the third organizational tier (Coordinator). This practice will help the development of Coordinator's capabilities to play integration roles. Some internal training programs will be held to develop capabilities such as project management and team leadership for employees assuming integrator roles.

The Director or the General Manager should assume the integrator role at the strategic level. A monthly meeting to communicate the company's performance should be led by one of the formal leaders of the organization.

### **1.2.3. Permanent Cross-unit Groups**

Current cross-unit groups will continue their tasks in the Strategic and Research and Development processes. A third permanent cross-unit group will be created to focus on innovation at the level of products and processes in BS Grupo. Additional benefits such as monetary bonuses based on project results and

recognition through non-monetary rewards will be provided to encourage participation in cross-unit groups.

#### **1.2.4. Temporary Cross-unit Groups**

Improvement teams should be re-implemented. In the performance measurement and reward systems, the employee participation on these teams will be encouraged. A temporary task group could be created, for example, to analyze and implement the recommendations given in this thesis.

#### **1.2.5. Information Technology Systems**

During April 2010, pilot-projects for a Customer Relationship Management System are occurring. An Information System focused on the management and control of financial resources will be implemented in the next six months. A policy of continuous improvement of the Information System will be set. If the growth goals of the company are reached, the current manual systems will no longer be adequate.

#### **1.2.6. The Planning Process**

The current planning process will be continued. The current procedures are adequate but need to be implemented. Communication of the strategic objectives of the company is a key area to be improved. Employees must be aware of the strategic performance of BS Grupo to understand their role in the company.

Hopefully, problems related to bad communication, deficient coordination, and poor sharing of information can be overcome with the implementation of the suggested linking mechanisms.

### **1.3. Alignment**

Alignment mechanisms will be revised and improved. After revision, these mechanisms should be implemented in identical fashion in both Lima and Arequipa. My personal vision of BS Grupo is a meritocracy; the alignment mechanisms must be coherent with this vision. The detailed recommendations for alignment are developed below:

#### **1.3.1. Organizational performance measurement system**

The focus of the current objective measurement system of results will be maintained. However, the current method must be simplified. It should also take into account both strategic and operational responsibilities for managers and coordinators, and operational responsibilities based on the organization's processes for fourth-tier employees at the assistant level.

Performance assessment will be discussed on a monthly basis with each employee, reviewing his/her performance with his/her immediate superior. The importance of this formal procedure should be highlighted as one of the most important rituals in the organization. I believe it is a powerful tool.

The fulfillment of assigned tasks should account for 80% of the measurement index. As a complement to the fulfillment index, a behavioral component will become part of the performance measurement system. The Sloan Leadership Model will continue to serve as the way to measure the behavioral component in the performance appraisal of managers and coordinators. For employees, the BS Grupo's revised Internal Customer Model will be used. This behavioral component should account for 20% of the measurement index and will be measured every three months through a 360-degree evaluation.

### **1.3.2. Rewards**

The current reward policy will be revised to make sure it is aligned with the behaviors and conduct required of BS Grupo's employees. The bases for the revised rewards policy are shown below:

- The rewards must be seen as a stimulus for outstanding performance.
- The salaries must be paid on a monthly basis without taking into consideration the monthly performance indexes.
- An annual bonus scheme will be implemented based on employees' annual performance indexes, the company's financial and strategic performance, and customer satisfaction quality indexes. A projection of these bonuses should be communicated every three months to employees.
- Symbolic recognitions like the "Best Employee of the Month" and the "Best Functional Area of the Month" should be re-implemented.
- Healthy internal competition among employees will be encouraged. Results of monthly and annual performance indexes should be published and communicated to all employees to create social pressure for high performance.

### **1.3.3. Resource Allocation**

Even after the company recovers from financial constraints, a strong control on resource allocation must be maintained. Employees must be focused on increasing profitability and customer service quality. Resources will be allocated based on careful analysis of impact on final customer satisfaction and improvement of the company's productivity.

#### **1.3.4. Human Resources Development**

The process of human resources development will be completely overhauled. The key process is recruitment and selection; a new and more efficient protocol must be developed for these activities. In the meantime, the objective should be to reduce turnover among employees. However, the policy “poor performers should leave the company” must be continued and enforced. An initiative to attract a more diverse employee base will be introduced, for example to attract foreign employees and those with academic backgrounds, such as in communications and social sciences.

An internal plan based on the competency model to develop employees’ capabilities will be carried out. Activities in this plan include internal and external training and rotation in different positions in the company. The policy of training key employees in organizations outside Peru will be re-instituted. The Organizational Development Area must show significant progress in the next six months. Otherwise a change in the area’s manager level should be considered.

#### **1.4. Organization’s design, environment and strategy**

Despite the relatively positive perception of BS Grupo’s strategic performance in the Arequipa office, the strategic performance and its corresponding perception by employees should be improved in both the Arequipa and Lima offices. The re-implementation of the Strategic Management Process and its communication will help in this effort.

The objective customer satisfaction indexes are thus far positive. These indexes should be communicated and “sold” internally. As mentioned earlier, an internal marketing campaign based on objective information should be conducted to improve the perception of BS Grupo.

Initiatives considered in BS Grupo's Strategic Plan, like the certification of the company's Quality System, the participation of the company in the Peruvian National Quality Competition, and the company's participation in the Best Place to Work contest, will help the company increase its internal and external prestige.

Without question, the concern for the continuous improvement of the customer satisfaction level and internal processes should be continued.

## **2. The Political Lens**

### **2.1. Interests**

Most key people at BS Grupo are attracted by the professional development opportunity and the potential growth they see in BS Grupo. The major concern of the management will be to show accomplishments reflecting company's development and growth in the short term to retain these key employees and keep them motivated and focused on the company's success. One of the major considerations for future hiring in the company should be to look for people who are seeking professional challenge and development. These new employees should be clearly informed about the demanding level of performance required by BS Grupo and the company's compensation and reward systems.

### **2.2. Power**

#### **2.2.1. Reputation**

In the case of the Arequipa Office, the employees who have the most reputation are at the managerial and coordinator levels. In the case of Lima, actions will be taken to increase the reputation of managers. A more frequent presence in the Lima office of members of the management will be required as mentioned earlier.

In general, the performance and behavior of the most reputed people in both offices, Lima and Arequipa, are well aligned with the company's priorities and the management team's thinking. However, social rewards and recognitions must be provided to those who are contributing the most to the organization.

### **2.2.2. Observation of Consequences**

Employees' perception that the areas of Operations and Marketing and Sales are the most important part of the company is consistent with BS Grupo's focus on the customer. This perception must be maintained in the future. In addition, the importance of the Finance Area should be emphasized to convey a message of BS Grupo's relatively new focus on profitability.

### **2.2.3. Symbols of Power**

People with most formal influence are at the Management Level and in the Marketing Function. In the last two years, the Marketing Function has been led by me and almost all the people in the area have been hired by me. I believe I have a strong and positive relationship with all the people at the Management Level. Almost all the people mentioned as influential by the employees are good performers. It appears that people with power in the organization are aligned with the company's priorities. I think one of the signals employees are using to express who has power in the company is their closeness and access to me. In the future, I will try to be closer and more accessible to high performers in order to send a message about how power is distributed in the company.

### **2.3. Networks**

The informal bonds are held by people in the Marketing and Operations functions. This may reflect the central role of these areas in BS Grupo. The Arequipa office, however, has fewer informal leaders, at least at the managerial level. Efforts must be made to better link, informally, managers with employees. Extra labor activities, such as social and sportive activities, will be held to have managers interacting more and developing stronger social bonds with employees.

## **3. The Cultural Perspective**

As a Director and Founder of BS Grupo, I think one of my major responsibilities is shaping and developing an organizational culture aligned with my vision of the company. My aims are to build a company based on a meritocracy. I want to attract high performers who share values with BS Grupo, people who are looking for exciting and demanding professional challenges, and who want to help transform BS Grupo from a venture to a large and established international company recognized because of the quality of its services. Merit, growth, and shared values should be the core of BS Grupo's organizational culture.

### **3.1. Symbols and Meaning**

Current views of the company as an interrelated team, innovative and entrepreneurial, quality and customer focused, and as a company "that provides an opportunity for development" must continue and be reinforced. In addition, continuous improvement and growth related meanings must be stimulated. The current view of instability in Lima must be overcome. The company's quality system must be implemented in Lima and new infrastructure must be developed for this office to provide a sense of stability.

Proactive, innovative, and quality improvement attempts made by employees will be socially rewarded by the management team. The leading performers in the company

and I will be personally involved in teams working on innovation and improvements in the company's processes and products. The results achieved by these teams will be recognized and rewarded in employee meetings.

I will personally conduct workshops focused on developing innovative and entrepreneurial projects in the company. I will give strong social recognition to the people attending these events.

I will incorporate in my public speech success stories of employees who have experienced notable professional growth in the company. A strong focus should be put on the rewards given by the company to the high performers.

### **3.2. Identity**

Positive perceptions about BS Grupo's identity, like its focus on quality and customers, organizational flexibility and flatness, ease of change, and importance of growth, will be reinforced. An internal communication strategy will be implemented to reinforce these characteristics. The communication strategy will use success stories in employees meetings, and periodic celebrations of organizational achievements in terms of customer satisfaction, growth, and innovation will be organized.

Printed and multimedia materials will be developed to use in the induction training of new employees and re-training of current employees. Concrete facts and stories will be described in these materials to emphasize the company's characteristics such as its focus on customers, growth, and ease of change.

A careful analysis of practices and behaviors that seem to lead to a sense of organizational instability and disorder will be carried out and a plan to discourage these practices and behaviors will be formulated and implemented.

### **3.3. Social Norms**

An initiative will be implemented to increase the enforcement of certain norms of importance such as the appreciation of high performers, task accomplishment and open communication. I will encourage this, through a lead-by-example approach. The management team and I will lead in the use of these social norms and we will try consciously to align our behavior in the company to these norms.

Another key issue to consider are values held by employees. I want a company that accomplishes big challenges in the “right” way, as defined by BS Grupo’s values such as: leadership, innovation, and continuous improvement.

### **3.4. Past and Future History**

Currently, BS Grupo’s history is described as a history of achievement, change and crisis, disorder, innovation, improvement, and as a gratifying experience. The vision of history I have for BS Grupo would be: “A company that started from scratch in 2000, had a high growth until 2008, faced a crisis in 2009, then recovered and became a consolidated and international company recognized because of the quality of its services.”

## **4. Final Conclusions**

Of utmost importance are the cultural and political issues to be addressed. These are related to the perception of a disordered and unstable company. This perception is stronger in the Lima office. In addition, there is a perceived “emptiness of power” caused by the absence of a manager’s presence in Lima. Earlier in this chapter, I detailed the actions to be taken to address these issues. BS Grupo also needs to improve its credibility both internally and externally. Projects like the certification of the company’s quality system, the

participation in the Peruvian National Quality Competition and in the Best Place to Work Ranking will help.

Strategic grouping, linking, and aligning should be improved to solve inter-functional communication problems, to communicate the strategic focus of the company, to provide adequate information flow and availability, and to address the lack of coherence among aligning mechanisms. Initiatives to solve these problems were described earlier in this chapter. The political and cultural perspective analyses show that the current power and interests structure and BS Grupo's young culture could be used to support the stated initiatives at the strategic level. The most powerful employees are interested in solving current problems and consolidating the company thus guaranteeing themselves a place to develop their careers or improve their reputation and expertise and gain access to jobs in bigger companies. A culture of appreciation for the company's growth, focus on customer satisfaction, concern for providing high-quality service, pressure for getting things done on time and well, easy adaptation to change, continuous search to improve things, and agreeable and flexible work environment have developed over the short history of BS Grupo. All these characteristics seem to be supportive of the intended changes in the strategic design. Employees are complaining about disorder and lack of an adequate organization, some of them are concerned about meeting customer expectations, and others are worried about the company's turnover and recent financial difficulties. If the management team could "sell" them the idea that the strategic changes are intended to solve these problems, I think employees will "buy" these changes. Adequate communication and the involvement of powerful employees are key success factors.

Growth path is another key issue for BS Grupo. The growth and consolidation of the company will allow the retention of high performers and attract talent to continue building the company. Over past two years, 2008 and 2009, internal and external problems have impacted the company's capability to continue growing. Key tasks are to improve current infrastructure in both locations, Lima and Arequipa, consolidate participation in the market, reduce employee turnover, expand operations to new cities and countries, and start to deploy strategic projects like the development of a high quality graduate school and university. These are the signals key employees are expecting. I think the accomplishment of these tasks increases the motivation of the highest performers in the company and will

improve the moral of all the organization's members. Moreover, these anticipated achievements will improve the awareness and perception of the BS Grupo brand in the Peruvian market. This will make it easier to attract new talent to the firm and increase our customer base.