

6.6: Why It Matters- Organizational Structures

Why does a manager need to understand organizational structure?



IBM Credit Corporation is the finance arm of parent company IBM Corp. and is responsible for providing customer financing to facilitate the sale of computers, software, and services. To be successful in this industry, it is important that approvals for credit be timely so sales aren't lost to competitors and their finance subsidiaries. In other words, speedy credit approval serves as a competitive advantage to a business.

Unfortunately, the approval turnaround time at IBM Credit was dreadfully slow. It took six days to weeks from the time an application was submitted to reaching a final credit decision. As you can imagine, this was a significant impediment to IBM salespeople tasked with growing the company's revenues.

Why did it take so long for credit decisions to be made? It turns out that it was not a function of the effort involved in reaching a decision. Rather, it was a result of the organizational structure in place at the time.

How could the organizational structure have such a significant impact on IBM Corporation's success? We will look at the answer to that question at the conclusion of this module. First, it is important that you begin to understand the fundamentals of various structures, which is what you will be learning in this module.

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