In order to achieve its goals and objectives the work of an organisation has to be divided among its members. Some structure is necessary to make possible the effective performance of key activities and to support the efforts of staff. Structure provides the framework of an organisation and for its pattern of management. It is by means of structure that the purpose and work of the organisation is carried out. The manager needs to understand the importance and effects of organisation structure and design.

The learning objectives of this chapter are to:
- explain the meaning and nature of organisation structure;
- understand the importance of good structure and consequences of a deficient structure;
- identify levels of organisation and dimensions of structure;
- evaluate main factors to be considered in the design of organisation structure;
- detail different methods for division of work and grouping together of activities;
- assess the importance of structure in influencing the behaviour of people and organisational performance;
- recognise the nature of the relationship between the structure of an organisation and the people who work within it.

Chapter 15 examines the structure and design of organisation within which the process of management takes place. The distribution of tasks, definition of authority and responsibility, and relationships among members of the organisation demand a carefully designed and purposeful form of structure. There is also a need for the continual review of structure to ensure that it is in the most appropriate form, and in keeping with the growth and development of the organisation.

The importance of good structure

The structure of an organisation affects not only productivity and economic performance but also the morale and job satisfaction of staff. The overall effectiveness of the organisation will be affected both by sound structural design and by the individuals filling the various positions within the structure. The organisation is a social system and people who work within it will establish their own norms of behaviour, and social groupings and relationships, irrespective of those defined in the formal structure.

It is important to maintain the balance of the socio-technical system and the effectiveness of the organisation as a whole. Getting the structure right is the first step in organisational change. Attention must be given to the interaction between both the structural and technological requirements of the organisation and social factors; and also to the needs and demands of the human part of the organisation.
Levels of organisation

Organisations are layered and it is possible to view three broad hierarchical levels of structure and control: the technical level; the managerial level; and the community or institutional level. It is important to emphasise the interrelationships of the levels and that in practice there is not a clear distinction between determination of policy and decision-making, co-ordination of activities, and the actual execution of work (see Figure 15.1). If the organisation is to perform effectively as a whole, there must be clear objectives, a soundly designed structure and good communications, both upwards and downwards, among the different levels of the organisation.

The design of organisation structure

Structure provides the framework for the activities of the organisation and must harmonise with the organisation's goals and objectives. There are many variables which influence the most appropriate organisation structure and system of management. In the final analysis, however, there is an underlying need to establish a framework of order and system of command for the execution of work. This demands that attention be given to certain basic considerations and prescriptions in the design of organisation structure.

The outline summary in Figure 15.2 provides a basis for main factors to be considered in the design of structure, or the review of the effectiveness of an existing structure. It is important to take full account of the human element, and how structural design and methods of work organisation influence the behaviour and performance of staff. Consider, for example, the particular difficulties for members of staff that might arise as a result of the general movement towards flatter structures of organisation.

Information technology

An increasingly important dimension of structural design is information technology. The impact of new technology will have significant effects on the structure, management and functioning of most organisations. It will demand new patterns of work organisation and affect individual jobs, groups, and the nature of supervision and managerial roles. Information technology influences the need for restructuring and attention to job design. It may be appropriate, therefore, to review the discussion on ‘The Influence of Technology’ in Chapter 4.

Formal organisational relationships

In any organisation structure certain formal relationships between individual positions will arise from the defined pattern of responsibilities (see Figure 15.7). There is often confusion over the meaning of different terms and their implications for organisational structure. It is important, therefore, that course members are clear in their own minds what they mean by, and how they use, the different terms.

Added confusion can arise from conflicting definitions associated with the line and staff form of organisation structure (see Figure 15.8). Again, it is important to be clear on how different terms are used. (Note, also, the particular difficulties that may be presented by line and staff relationships.)

Debate

‘The structure of an organisation is unimportant. What matters is whether individuals do their jobs well or not.’

Some starting points

For

- The work of an organisation is undertaken by people, not by ‘concepts’ such as systems, design, or charts. Remember that, strictly, organisations have no goals, only people do.
Individuals work well if they are properly motivated through economic, intrinsic or social rewards; not because they work within a tall or flat structure, or through a certain span of control or scalar chain.

Against

- Some structure is always necessary in order to make possible effective performance of key activities of the organisation, and to create a framework of order and command.
- However well individual members of staff are motivated and do their jobs, their work needs to be integrated with the activities of other people and directed towards the goals of the organisation.

Assignment 1: Division of work

This assignment could be undertaken by drawing upon the information given in the section on ‘The Division of Work’.

Work can be divided and activities linked together in a variety of different ways, such as by:

- major purpose or function;
- product or service;
- location;
- nature of the work to be performed;
- common timescale;
- the staff employed;
- type of customer/people to be served.

Most organisations will contain examples of alternative combinations for grouping activities. Some activities might be grouped according to one method and other activities according to a different method. There are potential dangers or limitations or difficulties with most methods. Management must decide upon the most significant factors which will determine the methods for division of work and linking of activities appropriate to the changing circumstances within the particular organisation.

The effectiveness of particular methods may be gauged by the extent to which the division of work and grouping together of people are organised according to some common characteristic which forms a logical link between the total activities involved. It is necessary to maintain a balance between an emphasis on subject matter or function at higher levels of the organisation, and specialisation and concern for staff at the operational level.

Supporting reasons, examples and recommendations should be relevant, clearly explained and help demonstrate an understanding of the chapter contents.

Assignment 2

Students are required to identify one writer only and the choice is likely to be based at least in part by personal preference and/or past experiences. Responses should indicate clearly the basis for, and justification of, the chosen writer and how that writer’s theories can be of practical use in the given situation. Considerations include the perceived need for increased motivation/job satisfaction and the type of staff to be motivated.

Answers on the most effective span of control should draw on the material given in the chapter on factors influencing span of control and how these relate to the case study example. It is important to emphasise the interrelationship between span of control and the scalar chain, and the need for an overall balanced structure.
Explanation of the communication process with staff should be linked to the case study, and demonstrate an understanding of issues around change and how this affects communication requirements.

The specific benefits of a matrix style of organisation structure should be set out clearly. The matrix organisation is a combination of functional departments and units that integrate various activities of different departments. It establishes a grid or matrix with a two-way flow of authority and responsibility and is often associated with project teams. A matrix design might be of benefit as there are two critical orientations to the work of the organisation (interior components and exterior components) and the business is organised around two different sites, 45 miles apart.

**Case study 1: Problems at Head Office**

Main points arising from the case study include the following.

(a) The sales manager located in London but customers’ orders handled by office staff at the works.
(b) Cynthia in tears and upset because worried about her work.
(c) Cynthia did not approach either Mr Jones, Administration Manager or the local personnel assistant.
(d) Scheduling and priority of work. Everyone appears to think their work most important and to be dealt with first.
(e) Apparently autocratic behaviour and emotive words.
(f) Nature of relationships between Cynthia, other staff in the offices, Mr Jones and his secretary.
(g) Management style and attitude of Mr Jones.
(h) Mr T Clarke same person as Tom, the Chief Clerk (assumption).
(i) ‘Tom is rather busy with a small buying problem, and with balancing the wages, and one or two other things at the moment – but he will tell him about the girl.’ (Patronising manner?)
(j) Division's personnel department deal only with the shop-floor.
(k) No sign of job descriptions or organisation charts. Office staff files kept at Head Office.

**Nature of relationships between people in the office**

(a) The present arrangement gives rise to undue pressures on staff, confusion and conflict.
(b) There is lack of a coherent structure and individual organisational relationships.
(c) No proper co-ordination of work and ineffective communications.
(d) Poor management style.
(e) Ineffective delegation of authority and responsibility.
(f) Uncertain relationship between local personnel assistant and office staff.

**Possible outline organisation structure**

This is shown in Figure 15.A.

**Notes**

1 The outline structure should help to clarify organisational relationship and establish a clear chain of command.
2 Administration Manager, Mr Jones, should concentrate on effective management of the work of the office and staffing.
3 Delegation to Chief Clerk for the day-to-day work of the sections and to provide a co-ordinating link with the administration manager.
4 Cynthia, to report directly to Chief Clerk who should ‘protect’ her and be responsible for the scheduling, co-ordination and priority of her work.
5 Administration Manager’s secretary in a staff relationship with other people in the office.
6 The office staff, shown in the chart as working in a group for the Chief Clerk, could alternatively, perhaps, be attached individually to sections.
Case study 2: Zeton Ltd

The following comments are provided by Ashok Ranchhod, Chief Examiner in Management Principles, Institute of Chartered Secretaries and Administrators.

It is advisable to spend some time analysing the questions before putting pen to paper. For example, in task (a) it is important to realise that there are many issues that need to be taken into account such as: problems of handling growth, the paternalistic as opposed to professional business structure, the different strategic business units, the different pace of growth in the different market segments, the management structure (to accommodate new realities), finding a role for Lee’s relations, developing meaningful links with the Germans and Eastern Europe, finding a successor to Chow Fung, organisation of Lee’s time, and the development of TQM.

Instead of repeating the case, these salient points are easily brought out from the case study. The second half of the task asks for priorities, and the points made above could easily be put in order of importance depending on how the answer is formulated in the first place. Nevertheless, some of these could be out forward as follows:

- Restructuring (with a diagram) so that a strategy could be set. A very good answer would discuss that a strategy should be set before the restructuring.
- Developing a TQM system.
- Finding a role for Tommy Lee’s relations.
- Setting a strategy to secure the German contract.

Question (b) clearly already refers to restructuring, so it is important that the type of restructuring should be discussed, that is:

- the move towards a proper divisionalised structure;
- the appointment of new Chief Executives with a degree of autonomy;
- the possible establishment of a centre with a definition for the role of the centre;
- a move to professional management and professional managers;
- segmentation and product/market focus in each division.
Lee also requires to show good leadership skills such as vision, an ability to be flexible, an ability to take difficult decisions, an ability to manage change effectively, knowing and understanding sources of power, knowledge of the business, and an ability to maintain groups. The task asks not for a theoretical discussion of leadership theory, but for the application of those ideas.

(From Administrator, April 1996, p. 37.)

Additional seminar activities

Case study: Changing organisation structures and processes at Northern Taverns

This is a case study in organisational change. It is based upon what has been happening in one of northern England's largest public-house (or 'hostelry', as our preferred term) -owning companies. In order to preserve anonymity the name has been changed, along with certain details which are not crucial for our present purposes; the essence of what has occurred (and is likely to occur) has been retained.

The case study is organised as follows:

1 The organisation is briefly described.
2 The changing external contexts of Northern Taverns are outlined.
3 Certain key objectives set by the company are described.
4 You are provided with an activity brief and recommended reading.
5 A note on methodology provides guidance on how you might proceed to collect the necessary data.

Northern Taverns and Northern plc

The plc has its head office in the north of England, from where it runs a number of businesses in a divisionalised mode: taverns, leisure, soft drinks, wines and spirits, and hotels. It is one of the UK’s larger operating companies in this sector, employing around 45 000 people. This case study is based upon what has been taking place in just one of these divisions – Taverns – although, of course, it is not possible to entirely divorce what has been going on there from what has been happening in the rest of the plc, for there are a number of links and interdependencies between the divisions, for example between Taverns and Hotels, Taverns and Soft Drinks, Taverns and Leisure. The plc agrees objectives and targets that the constituent divisions are expected to achieve over a given time period.

Northern Taverns runs the hostelries and restaurants business of Northern plc. It makes the largest contribution to the plc's profits (having generated over 50 per cent of total profits for a number of years), employs over 30 000 people, and has 2000 managed and 1000 leased hostelries located throughout the northern UK and the Midlands, which are organised into six regions, each region in turn being split into a number of areas; the structure is shown in Figure 15.B.

A variety of specialist services are provided for the staff located at each of these levels, some of them having a presence at just one of the levels, others being duplicated across a number of levels; examples include Acquisitions (for new hostelries or restaurants), Marketing, Construction, Personnel and Training, IT and Finance.

Northern Taverns has recently introduced electronic point-of-sale systems into its outlets in order, primarily, to improve management control. This has involved substantial capital expenditure, and stock control has shown a marked improvement; however, as yet, the systems are being used less effectively for marketing and business development purposes.

A managing director heads up each of the regions and there exists a strong regional identity – an identity which has been nurtured by Northern Taverns over the years through devices such as distinct trading names reflecting each particular region. Territories and resources are jealously guarded. Risk aversion is the predominant ingredient of decision-making; accountability is thinly spread and this adds up to a conservative orientation. Take the processes involved in identifying and approving a new site for a hostelry. The following specialists take part: Acquisitions, Marketing, Operations, Catering, Personnel, and Finance; and authorisation proceeds from area to region to divisional board to Northern plc. The 'lowest common denominator' rules, and the result has often been, as a member of the company graphically put it, 'cosmic constipation', or 'nothing coming out'.

205

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The predominant orientation towards the hostelries and the staff who work in them in this retail sector (and Northern Taverns were no exception) can be summarised in the following three phrases:

1. ‘Hostelry managers are not to be trusted, therefore they must be controlled.’
2. ‘The hostelry is supply-driven – the “shop window” for a range of ales and lagers.’
3. ‘Individual outlet performance is the key consideration.’

The culture of the company may be conveniently captured along certain key dimensions as shown in Figure 15.C.

On the basis of this overview of Northern Taverns’ structure and culture, let us now move on to consider the key ways in which the contexts of its operations have been changing in recent years.

### Changing external contexts

Four key contextual influences over Northern Taverns’ business in recent years can be identified: (i) changing consumer preferences, (ii) economic recession, (iii) competition, and (iv) state/legislation. Taking each in turn: (i) examples include the impact of the health food and drink lobby, and the shift away from the ‘on trade’ (buying drink and food in hostelries) to the ‘off trade’: that is, people buying all or most of their wine, spirits and beer from supermarkets or off-licences for consumption at home; (ii) as a result of the later 1980s and early 1990s economic recession, many people had less discretionary spending power, and the cheaper prices to be found in some parts of the off trade became more appealing as a result; (iii) with respect to competition, examples would include the mergers and alliances which have been formed between brewing and retailing groups, the entry of foreign brewing companies into the UK market, and the regeneration of hostelries by smaller independent companies which have focused upon service, choice and variety of real ales, and a return to the basics of a ‘good local’; (iv) finally, as a result of the ‘Beer Orders’ issued by the UK Government in the late 1980s, a ceiling was put on the number of hostelries which could be owned by a brewing group where those hostelries were tied in terms of supply to that particular group.
For Northern Taverns (as a division of Northern plc) this has meant that it was forced to sell off over 1000 hostelries during the period 1990–2 in order to comply with the ‘Orders’, and, although it is now below its ceiling, there is a strict limit on how many more hostelries it can open without simultaneously closing others.

Objectives
In 1996 Northern plc agreed the following objectives with Northern Taverns, to be achieved by 2001:

1. Outperform the ‘on trade’ competition by 10 per cent.
2. Increase net profit per £ taken from 8p to 16p.
3. Increase hostelry sales volume by an average of 10 per cent.
4. Open one new hostelry every month, and lease at least one hostelry every week.

Activity brief
1. Consider the options available to Northern Taverns for achieving the objectives set by the plc, focusing upon the people and organisational issues and possibilities. Outline these in report form, discussing the advantages and disadvantages of each. Make a recommendation as to your favoured option, justifying this choice.
2. Critically outline and discuss the concepts, models and perspectives which can be drawn upon from the behavioural social sciences in order to make sense of the social structures and processes which characterise this organisation.
3. Show how a use of the above (2) could be of help to those managers and other actors who have been given the responsibility for achieving the necessary social and organisational changes.
4. Return to Figure 15.C, take each of the dimensions in the first column and produce a new third column which indicates in summary terms what you think the company should move towards from the present situation as described in column 2 (for example, you might want to recommend that the people dimension moves from control to empowerment). Write a sentence or two on each of them, explaining why you have made this choice.

A note on methodology
We recommend that students read a sample of the annual reports of the national and regional brewery and pub companies.

It is perfectly possible to answer all the above questions on the basis of knowledge of the behavioural social science literature, and, indeed, it is essential that students draw upon and use this understanding in responding to the questions. In other words, it can be treated as a library/secondary material-based exercise. However, as strong advocates of fieldwork or ‘getting
involved in the action’, we recommend that, if time and opportunity allow, you visit some hostelries and talk to/interview the bar staff and managers (indeed, if you are an undergraduate student, it is quite possible that you do part-time bar work yourself, thus facilitating the process). You can pick up information simply by sitting in the hostelry or standing at the bar, that is, through a form of participant observation. The better answers are likely to be based upon a sound reading around the area and fieldwork, where the information and ideas coming out of the former are fed into the latter, and vice versa, in an iterative mode.

So, when you next go down to your local hostelry for a pint or two of real ale, you’ll be able to inform your friends and tutor that you have been taking the research for your coursework seriously, and that you got so absorbed in the work that you ended up staying all evening . . . Cheers!

Case study provided by David Preece, Gordon Steven and Valerie Steven: People, Innovation and New Technology Research Group. The People, Innovation and New Technology Research Group consists of members from three UK universities (Portsmouth, Coventry and Nottingham) and one of the UK’s major brewing and pub retailing companies. It was founded by the authors of the present case and is based at the University of Portsmouth.

Introduction

The key point about the exercise is that significant change has to take place within the organisation over a relatively short period of time (i.e. in four years), and that this cannot be achieved through simply expanding the estate (this is not to imply that such a strategy would achieve the objectives set by the plc anyway). The objectives are only likely to be met through changes to the strategies and mode of operation of the bulk of the existing stock of hostelries, albeit allowing for the fact that new ones can be opened if others are closed or sold off.

There are a number of business and management issues and possibilities which need to be considered. Economic, financial, strategic, marketing and IT are just some of these issues. However, students are required to focus upon the people and organisational ones only. The better responses from students who have a wider base of knowledge and/or experience would include reference to these issues and, indeed, show interconnections between their recommendations in the people/organisational areas and financial, IT or whatever. Tutors obviously have to make a judgement here based upon their knowledge of the particular student group concerned.

It is important to emphasise that we are under no illusion that any changes to organisation structure, job designs or working practices will in themselves be sufficient to achieve the objectives set: hence the emphasis upon organisation structures and processes; we are also well aware of the complexities, difficulties and definitional and conceptual problems associated with the latter – not least with organisation culture(s). We do not pretend to have any ‘magic’ solutions to these problems – either at the level of theory or practice – but what we do wish to achieve through the case study is a recognition that structure has implications for attitudes/culture (however defined), and vice versa, and that, in this instance at least, it could well be the case that the objectives set by the plc will not be met unless there is some significant change to the latter as well as the former. Whether senior managers will be able to achieve this in the timescales involved must be open to some doubt, but it is not an option not to address these matters. Thus, as well as the case study bringing in such well-rehearsed possibilities as organisation (re)structuring, job redesign, changes in working practices, changes in the employment contract, remuneration, appraisal, development and reward systems, the student is also encouraged – indeed required – to address the much more ‘knotty’ and complex issues associated with the level of meanings in organisations and how management might attempt to change them.

We are aware of the options for change being considered by the company concerned, but are unable to reveal those here for obvious reasons. Suffice it to say that students should be encouraged to consider radical as well as incremental change possibilities, and not to be afraid to use their imagination! An indication of some of the options which could be considered follows.
Question 1
Consider the options available to Northern Taverns for achieving the objectives set by the plc, focusing upon the people and organisational issues and possibilities. Outline these in report form, discussing the advantages and disadvantages of each. Make a recommendation as to your favoured option, justifying this choice.

(a) Organisation restructuring
Decentralisation to lower levels of the company (e.g. hostelry manager); new groupings of hosteries (on what basis? – type of outlet/location/type of outlet within a location/(sub)company, etc.); organisational rationalisation? But will the objectives be achieved with a trimmed-down estate?; students may already know about, or be introduced to, Business Process Re-engineering/Redesign models here. Perhaps some levels (middle/staff?) should be taken out, or trimmed down? This may also help to achieve decentralisation.

(b) Working practices
Changes to the forms of labour flexibility (numerical/functional/financial/time) and mobility?; teamworking; developments in IT usage and applications. Perhaps hostelry managers, for example, gain their own budgets, and become responsible for taking on and paying support staff as required? (whether from inside or outside the company). This is connected to the points about decentralisation and delayering – see above.

(c) Wider employment issues
New forms of contract; new systems of appraisal, reward and remuneration (perhaps linked into targets associated with business development and teamworking effectiveness); new opportunities for development and training; outside-the-sector recruitment; changes to collective bargaining and the representation of employees, and to communication and consultation arrangements, etc.

(d) Attitudes and culture
What sort of culture is desired in the ‘new regime’? How might this be achieved? How to preserve the best of the old with the new? How to carry employees along with the change programme? How to gain their commitment to it? (or is this asking for the impossible?). How to ‘get closer to the customer’?, i.e. to embrace Total Quality Management. There is the opportunity here to bring in material on training and development, communication, vision-building and transmission, ‘leadership by example’, the complexity of culture and issues to do with ‘can it be managed?’. Will all or most of this be likely not to go beyond senior management rhetoric?, etc.

Question 2
Critically outline and discuss the concepts, models and perspectives which can be drawn upon from the behavioural social sciences in order to make sense of the social structures and processes which characterise this organisation.

While Question 1 is centrally about organisational change, this one is focused much more upon understanding aspects of structure and social processes as presently to be found in Northern Taverns. A range of possibilities exist. One approach would be to take the various dimensions of structure and process as presented, and then to discuss how the organisation came to be like this. A contingency approach might suggest that there was a ‘fit’ with the previous external context (a disjuncture – and hence need for internal change – having come about because that context has subsequently changed significantly). Another approach would be to emphasise the ways in which this organisation has been – and continues to be – created by organisational actors in their everyday interactions and choices; here history is important. A more radical perspective would place emphasis upon the ways in which people do play a part in creating and sustaining organisations, but not necessarily on their own terms or under the conditions they would choose. The politics of organisational decision-making and the power which comes from position, expertise, owner-
ship/control, and which allows certain people to make the key choices about structures, strategies, payment, grading, job designs and remuneration systems, etc. may also be discussed. Issues to do with the nature of the sector within which Northern Taverns operates could also be considered.

The question is intentionally broad, in order that students can choose to discuss whatever aspects of structure and process they wish: the key is to locate their discussion in a framework (such as outlined above) which helps to make sense of the concepts and models.

**Question 3**

Show how a use of the above (2) could be of help to those managers and other actors who have been given the responsibility for achieving the necessary social and organisational changes.

This question raises again the issue of ‘What is the use of the behavioural social sciences for organisational actors?’ We do not intend to rehearse these arguments here; suffice to say that we would be looking for a response which demonstrated an ability to take appropriate concepts and models (as outlined in the answer to Question 2) and apply them to the case of Northern Taverns, showing how their deployment by particular organisational actors could help to achieve the objectives set by the plc. This means that students need to choose which organisational actors they are positing (managers, bar staff, staff specialists?), the ‘solutions’ chosen need to appear to have a chance of succeeding in the organisation as described, and they need to be attuned to process issues – in particular, how to move from where the company is now to where it is required to be (thus communication, training, team building, redesign of jobs and working practices, etc. are all likely to be important).

**Question 4**

Return to Figure 15.C. Take each of the dimensions in the first column and produce a new third column which indicates in summary terms what you think the company should move towards from the present situation as described in column 2. Write a sentence or two on each of them, explaining why you have made this choice.

Our ‘solution’ is as follows (but, as always of course, there are no hard and fast answers: the key is to have a considered response which is subsequently justified by the student):

<table>
<thead>
<tr>
<th>Controlled</th>
<th>Empowered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hierarchy</td>
<td>Team</td>
</tr>
<tr>
<td>Function</td>
<td>Process</td>
</tr>
<tr>
<td>Supervisor</td>
<td>Coach</td>
</tr>
<tr>
<td>Scorekeeper</td>
<td>Leader</td>
</tr>
<tr>
<td>Control</td>
<td>Operations</td>
</tr>
<tr>
<td>Defensive</td>
<td>Productive</td>
</tr>
<tr>
<td>Boss</td>
<td>Customer</td>
</tr>
</tbody>
</table>

Case study guide provided by David Preece.

**Exercise**

For this exercise you can work either individually or in small groups.

Using the pictorial example given in the main book (p. 556), refer to an organisation with which you are familiar (this can be either a traditional ‘work’ organisation or a voluntary organisation) and draw the formal organisation chart. Identify key people in the organisation and interview them informally. From your discussions with them draw the ‘alternative’ organisation chart.

In a presentation to the rest of the class, attempt to answer the following questions:

- Is there a difference between the two? Why or why not?
- What are the significant variables impacting on the ‘alternative’ chart?
- Which of the two should the organisation retain? Why? What difficulties do you foresee?
Specific objective

This activity allows students to explore the differences between how organisations are represented formally by organisation charts and the more complex, changing patterns of communication and authority that exist below the surface.

Lecturer's note

Students’ attention may also be drawn to the real difficulties of assessing what is ‘really going on’ in an organisation. How full and realistic do they think their view of the ‘alternative’ organisation really is? How much is this alternative picture dependent on who they asked and how they were feeling at the time? For example, if you interviewed someone who had just been offered a new job and promotion, would they give a different picture than they would have given the day before – when they felt that their old job was under threat?

Discussion point

Is there such a thing as a ‘real’ and ‘factual’ view of organisations? If so, which facts should we be looking for? Alternatively, are all our interpretations of organisational activity highly subjective and partial? If so, are some interpretations likely to be more meaningful or valid than others? If so, why?

Assignment

Task

With reference to the Bains Report, write a 1500-word essay assessing the merits and demerits of changes in the structure of local government.

Tips

- Your local authority offices and libraries should hold leaflets presenting the case for one or other of these choices. There was renewed discussion of the issues in the press when the chairman of the Commission, Sir John Banham, resigned in March 1995, feeling his committee's recommendations were being ignored.
- Diagrams can often save a lot of words when expressing notions about organisational structure.
- Remember that many councils had already contracted out or privatised many of the services traditionally provided by them including refuse collection, school meals, and communal transport, a trend which, surely, has a bearing on this question of structure.

The British Government in 1994 accepted many of the Local Government Commission’s recommendations that certain large towns become unitary authorities in 1997, freed that is from county council control and responsible for a wider range of services. The old two-tier authorities would continue, the partnership now involving the county or district councils and the smaller town councils within their boundaries.

The new unitary authorities claim there are many advantages, including:

- They recover control over education and social services taken away from them in 1974.
- Representatives would now be elected by the local population only.
- Confusion about who is responsible for a particular service (the town or the county) would be a thing of the past.
- Overlap of responsibilities would also be eliminated, thereby cutting down on bureaucracy.

The county councils have pointed out possible disadvantages:

- Smaller groupings deal less efficiently with large problems such as the environment, transport, electronic communications.
Restructuring always costs a lot.

Duplication of education officers – for example, premises, headed notepaper, etc. – would also be a costly matter.

One suspects, of course, that interest groups play a large part in these debates, especially councillors. Sir John Banham’s resignation as chairman of the Local Government Commission in 1995 is a clear clue here: ‘I well recognise that the commission has not done the bidding of the government or the Parliamentary Labour Party.’

Application

Is matrix management a recipe for chaos?

Matrix structures have been with us for centuries, though many ignorant consultants think they are new. Any family is a matrix in the sense that there are potentially two bosses, the mother and father. Government departments have been operating dual authority structures – with civil servants reporting to their permanent head and to a minister of state – for more than 100 years.

Some designers of organisations regard matrices as flawed and unstable because of the ambiguity that arises from two reporting lines. Others argue that their looser structural form has advantages: it brings the service provided much closer to the customer or client; it focuses on performance, with peer pressure, rather than formal systems and procedures controlling behaviour; and the matrix liberates teams and individuals to make decisions, be creative and behave in an independent, adult way.

Take the example of the operating theatre. The way it works evolved because traditional hospital design is organised around professional affiliations, rather than patient care. If we look at the organisational chart of a hospital there will be functions called Medical, Nursing, Accounts, Consultants, and so on. To get treatment, the patient usually goes from one professional group to the next. It is not surprising that the hospital trolley has become such a famous form of transport.

But in the operating theatre, multiple services for the client must be delivered simultaneously. The trolley is stationary and a matrix team operates on your body. The matrix will include a team leader, usually the surgeon, and specialists from the various vertical blocks who bring their skills to the patient. Each professional reports to the head of his or her function (axis 1) and to the team leader (axis 2). The structure is designed to react to time pressure and an uncertain environment. The surgeon and the team are not sure precisely what is going to happen, therefore their jobs are described rather vaguely so they can improvise. You call this a recipe for chaos, I would call it a flexible structure which relies on the experts in the team contributing their skills if and when needed. No traditional structure could work as effectively.

Turning to companies, international organisations sometimes run into trouble using matrices when they are trying to reconcile local and global objectives. Consumer products companies such as Heineken, Ford and Unilever have marketing and human resource functions both centrally and locally. This means the marketing manager in, say, Singapore, has to report to two bosses – their geographic boss and the central marketing boss.

Globally, it is unlikely you will get the market conditions which make a matrix structure effective in New York, for example, in all other parts of the world.

But, overall, if you ask whether the matrix structure is the best design we can produce for uncertain times, the straight answer is yes. The traditional military or feudal model of one person one boss may be admirably effective for simple tasks, a stable environment or vertical integration of expertise. But it is not very effective when it comes to handling highly complex tasks performed by numerous experts in unpredictable markets. Nor is it very effective, except when the company is small, in relating to the customer or client.
So if you are trying to get a matrix to work, what are the main points you need to keep in mind? First, matrices work best where the market is demanding. In a stable, non-threatening marketplace, staff working in matrices begin to play political games; interpersonal skills, rather than expertise or merit, begin to determine who gets resources.

Second, people working in matrices need to understand that they will have a much less stable set of relationships because the market the matrix is serving is less stable. Trying to write manuals to cover every eventuality is a nonsense. You either accept that this is an ambiguous structure, or you get out of it.

Third, in some cultures where a feudal model of managerial control persists, it is unwise to introduce matrices. Alternatives are smaller units, more segmentation into divisional or local units, with overlays of matrices which affect only small parts of the workforce.

Fourth, while I strongly suggest you do not produce massive manuals and attempt to turn the matrix into a bureaucracy, there need to be clear ground rules about what each axis can or cannot do. It should be possible to document this knowledge on two pages.

There are no correct forms for matrices. They are dependent on people and what works for one company may not work for another. Thirty years ago it was a common belief that the hierarchical structures of organisations were designed to be independent of the talents of the people involved. Indeed, I can recall receiving a very low grade when I was doing my MBA for designing an organisation around the main players. My professor explained that structures were pure forms and it was people who mucked them up. Nowadays, any design consultant knows that while the design logic of working from strategy to objectives, targets, jobs and lateral thinking processes is enticingly seductive, the reality is that the design must suit the people involved, not the reverse.

(Source: Professor John W. Hunt, Financial Times, 12 January 1998.)
Multiple-choice questions

1. (Chapter 15, p. 531) Drucker states that by improving organisational structure, ________ will always improve.
   (a)* performance  
   (b) morale  
   (c) communication  
   (d) motivation

2. (Chapter 15, p. 537) What must first be clarified when designing an organisational structure or in reviewing the effectiveness of an existing structure?
   (a) division of work  
   (b)* objectives of the organisation  
   (c) principles of the organisation  
   (d) formal organisation relationships

3. (Chapter 15, p. 546) Which of the following statements is true about the impact that new office technology might typically have on an organisation?
   (a) New technology has resulted in a ‘taller’ organisational pyramid with more levels of management required and little potential for staff to be more flexible in performing a wider range of functions.
   (b)* New technology has resulted in a ‘flatter’ organisational pyramid with fewer levels of management required and allows the potential for staff to become more flexible in performing a wider range of functions.
   (c) New technology has resulted in a ‘flatter’ organisational pyramid with fewer levels of management required and allows the potential for staff to become more flexible in performing a wider range of functions.
   (d) New technology has resulted in a ‘taller’ organisational pyramid with more levels of management required and allows the potential for staff to become more flexible in performing a wider range of functions.

4. (Chapter 15, p. 550) With the growth in newer, complex and technologically advanced systems, it has become necessary for organisations to adopt traditional structures in order to provide greater ________ of a wide range of functional activities.
   (a)* integration  
   (b) segregation  
   (c) detachment  
   (d) centralisation

5. (Chapter 15, p. 554) An organisation chart is useful in explaining the outline structure of an organisation and may be use as a basis for the analysis and review of structure. Which of the following will the organisation chart also usually show?
   (a) the extent of personal delegation from superior to subordinates  
   (b)* the comparative authority and responsibility of positions on the same level  
   (c) the relationship between line and staff positions  
   (d) none of the above

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