



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCE

COURSE CODE: MBA 823

COURSE TITLE: ORGANISATIONAL DESIGN

Course Development

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Course Guide

Contents

- 1.0 Introduction
- 2.0 Course Aims
- 3.0 Course Aim
- 4.0 Course Objectives
- 5.0 Course Materials
- 6.0 Study Units
- 7.0 Assessment
 - 7.1 Tutor-Marked Assignments
 - 7.2 Final Examination and Grading

1.0 INTRODUCTION

MBA 832: Organizational Design is a semester coursework of 13 credits units. This course, in Master in Business Administration has been designed to give you self instruction on the practice

of Business Administration. It teaches you development in Organizational Design in organization. It is available to all MBA students of the school of management sciences. User guide tells you what you will learn in this course, the course aims and objectives, and the materials and support that you require making your study very successful.

2.0 COURSE CONTENTS

The course contents include an overview of The **Organizational architecture** that has two very different meanings. In one sense it literally refers to the organization its built environment and in another sense it refers to architecture metaphorically, as a structure which fleshes out the organizations.

- Organizational architecture or **organizational space**: the influence of the spatial environment on humans in and around organizations.
- Organizational architecture or **organization design**: the creation of roles, processes, and formal reporting relationships in an organization.

Organizational space describes the influence of the spatial environment on the **health**, the **mind**, and the **behavior** of humans in and around **organizations** (Mobach, 2009). It is an area of research in which **interdisciplinarity** is a central perspective. It draws from **management**, **organization** and **architecture** (Dale en Burrell, 2008) added with knowledge from, for instance, **environmental psychology**, **social medicine**, or **spatial science**. In essence, it may be regarded as a special field of expertise of **organization studies** and **change management (people)** applied to architecture. This perspective on organizational architecture is elaborated in **organizational space**.

Simplified scheme of an organization

Organization design or architecture of an organization as a metaphor provides the framework through which an **organization** aims to realize its core **qualities** as specified in its **vision statement**. It provides the **infrastructure** into which **business processes** are deployed and ensures that the organization's core qualities are realized across the business processes deployed within the organization. In this way organizations aim to consistently realize their core qualities across the services they offer to their clients. This perspective on organizational architecture is elaborated below.

3.0 COURSE AIMS

This course is aimed at exposing you to the process of reshaping organization **structure** and roles, or it can more effectively be defined as the alignment of structure, process, rewards, metrics and talent with the strategy of the business. It also aims at encouraging you to acquaint yourself with the basic operation of design in management of organization.

4.0 OBJECTIVES

On the successful completion of this course you will be able to: design the organization process which is often defined in phases. Phase one is the definition of a business case, including a clear picture of strategy and design objectives. This step is typically followed by "strategic grouping" decisions, which will define the fundamental architecture of the organization - essentially deciding which major roles will report at the top of the organization. The classic options for strategic grouping are to organize by:

- **Behavior**
- Function
- Product or category
- Customer or market
- Geography
- Matrix

Each of the basic building block options for strategic grouping brings a set of benefits and drawbacks. Such generic pros and cons, however, are not the basis for choosing the best strategic grouping. An analysis must be done completed relative to a specific business strategy.

5.0 WORKING THROUGH THIS COURSE MATERIALS

This course, MBA 823 Organizational Design expects you to do a lot of reading in order to cover the materials in the course material. It implies that you should devote much time to this course by reading through this material and getting more information from numerous texts and journals. These abound in every library and from the internet. The course material has been made easy to read and user-friendly. However, you will need to attend the tutorial sessions where your Facilitator would direct and provide you with more information. You will need to work in groups with other students in order to discuss, compare notes and thoughts as well as to exchange and share ideas. Below are the lists of all the components of the course:

The National Open University of Nigeria will provide you with the following items:

- Course Guide
- Study Units
- TMA Assignment File for continuous assignment.

In addition, at the end of every unit, is a list of texts for your references and for further reading. It is not compulsory for you to read all of them. They are only essential supplements to this course material.

6.0 STUDY UNITS

There are eighteen (18) units in this course and they are grouped into three (3) modules as follows:

Module 1

- Unit 1 Definition of organizational structure
- Unit 2 Types of organizational structure
- Unit 3 line Organizational structure
- Unit 4 matrix organization

Module 2

- Unit 1 Conceptual Overview of Organizational Design
- Unit 2 Coordination, Controlling and Information System
- Unit 3 Leadership and Organizational Climate

Unit 4 Keys to successful Organizational Change

Module 3

Unit 1 Contingency and Multi-Contingency Theories of Organizational Design

Unit 2 Design Dynamics: Managing Change and Multi Organizations

Unit 3 Incentives in an Organization

Unit 4 Internal Marketing in Organization

Unit 5 Developing Organizational Chart (process and people)

Each study unit made up of the introduction, objectives, main content, exercises(for self assessment), conclusion, summary, tutor-marked assignment questions, and reference and further reading: will take at least two hours. You are expected to study the materials carefully and attempt the exercises. You are also expected to consult the textbooks under reference and further readings, for additional information. Practice the tutor-marked assignment questions as well.

7.0 ASSESSMENT

THE ASSESSMENT FOR THIS COURSE WILL BE
IN TWO PARTS: -Tutor-marked assignments (TMAS)
-Final examination

7.1 Tutor-marked assignments (TMAS)

A tutor-marked assignment forms the basis for continuous assessment for this course. The NOUN will direct further on the number of Tutor-Marked Assignment Questions (TMAQS) you are to answer when to do them and when to turn them in to your facilitator for grading.

You are expected to utilize the information gathered from the study material and the references in doing the assignments. The assignments will count for 30% of the total course mark.

7.2 Final examination

The final examination for the course will attract the remaining 70% of the total course grade. You are to expect that all the areas of the course will be assessed during the examination.

8.0 TUTOR-MARKED ASSIGNMENT (TMA)

This is your continuous assessment and accounts for 30% of your total score. You are expected to answer at least four TMA's, three of which must be answered and submitted. However, it is desirable in all degree level education to demonstrate that you have read and researched more widely than the required minimum. Using other references will give you a broader viewpoint and may provide a deeper understanding of the subject.

9.0 FINAL EXAMINATION AND GRADING

With this examination written successfully, you have completed your course in Basic research and one believes you would apply your knowledge (new or up-graded) in your project. The 'end of course examinations' would earn you 70% which would be added to your TMA score (30%). The time for this examination would be communicated to you.

10.0 HOW TO GET THE BEST FROM THIS COURSE

In distance learning, the study units are specially developed and designed to replace the conventional lectures. Hence, you can work through these materials at your own pace, and at a time and place that suits you best. Visualize it as reading the lecture.

This is one of the great advantages of distance learning. You can read and work through specially designed study materials at your own pace, and at a time and place that suits you best.

Think of it as reading the lecture that a lecturer might set you some readings to do, the study unit will tell you when to read other materials. Just as a lecturer might give you an in-class exercise, your study units provide exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how a particular unit is integrated with the other units and the course as a whole.

Next is a set of learning objectives. These objectives allow you to know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the unit, you must go back and check whether you have achieved the objectives. If you make a habit of doing this, you will significantly improve your chances of passing the course.

The main body of the unit guides you through the required reading from other sources. This will usually be either from a *Reading Section* of some other sources.

Self-tests are interspersed throughout the end of units. Working through these tests will help you to achieve the objectives of the unit and prepare you for the assignments and the examination. You should do each self-test as you come to it in the study unit. There will also be numerous examples given in the study units, work through these when you come to them too.

The following is a practical strategy for working through the course. If you run into any trouble, telephone your tutor. Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

- i) Read this course guide thoroughly.
- ii) Organize a study schedule. Refer to the course overview for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Important information e.g. details of your tutorials, and the date of the first day of the semester will be made available. You need to gather all this information in one place,

such as your diary or a wall calendar. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.

- iii) Once you have created your own study schedule, do everything you can to stick to it. The major reason that students fail is that they get behind with their coursework. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.
- iv) Turn to unit 1 and read the introduction and the objectives for the unit.
- v) Assemble the study materials. Information about what you need for a unit is given in the 'Overview' at the beginning of each unit. You will always need both the study unit you are working on and one of your references, on your desk at the same time.
- vi) Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the units, you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.
- vii) Review of the objectives for each study unit and confirm that you have achieved them. When you are confident that you have achieved a unit's objectives, you can then start on the next unit. Proceed unit by unit through the course and try to face your study so that you keep yourself on schedule.
- viii) After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the Course Guide).

11.0SUMMARY

This course MBA 823 is designed to give you some knowledge which would help you to understand organizational design as applied in business management. After going through this course successfully, you would be in a good position to pass your examination at the end of the semester and use the knowledge gained to apply in the management and administration and help in contributing to the development of scholarly thoughts in Business management.

Designers with imagination have the best chance to group people and machines into workable combinations having the greatest efficiency and effectiveness within the recognized constraints. Certain characteristics should be designed into an effective and efficient system

— simplicity, flexibility, reliability, economy, and acceptability.

We wish you success in this interesting course and hope you will use what you have learnt in this course to the discipline of Business Administration which is very dynamic. We also hope you would appreciate the unique role and opportunity you have to make a difference in using the knowledge derived from this course in solving problems. We, therefore, sincerely wish you the best as you enjoy the course. GOOD LUCK.

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COURSE MAIN TEXT

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TABLE OF MODULES AND UNITS

Module 1

Unit 1	Definition of organizational structure
Unit 2	Types of organizational structure
Unit 3	line Organizational structure
Unit 4	matrix organization

Module 2

- Unit1 Conceptual Overview of
organizational Design
- Unit2 Coordination, control and
Information system
- Unit 3 Leadership and
Organizational Climate
- Unit 4 Keys to successful
Organizational Change

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- Unit 1 Contingency and Multi-
Contingency Theories of
Organizational Design
- Unit 2 Design Dynamics: managing
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- Unit 3 Incentives in an Organization
- Unit 4 Internal Marketing in
Organization
- Unit 5 Developing Organizational
Chart (process and people)

Module 1

Unit 1	Definition of organizational structure
Unit 2	Types of organizational structure
Unit 3	line Organizational structure
Unit 4	matrix organization

Table of Contents

Unit 1 Definition of organizational structure

1.0 Introduction

2.0 Objectives

3.1 Main Content

3.1 History of Organizational structures

3.1.1 Operational organizations and informal organizations

3.2 Types of Organizational structures

3.2.1 Pre-bureaucratic structures

3.2.2 Bureaucratic structures

3.2.3 Post-bureaucratic

3.2.4 Functional structure

3.2.5 Divisional structure

3.3 Organizational **circle**:

3.3.1 Team

3.3.2 Network

3.3.3 Virtual

3.3.4 **H**ierarchy-Community Phenotype Model of Organizational Structure

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References and Further Readings

1.1 INTRODUCTION

The typically **hierarchical arrangement** of **lines of authority, communications, rights and duties** of an organization. **Organizational structure** determines how the **roles, power and responsibilities** are **assigned**, controlled, and coordinated, and how **information flows** between the different **levels of management**.

A structure depends on the **organization's objectives and strategy**. In a **centralized structure**, the top layer of **management** has most of the **decision making** power and has tight **control** over **departments and divisions**. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different **degrees** of independence. A **company** such as **Proctor & Gamble** that **sells** multiple **products** may organize their structure so that **groups** are divided according to each product and depending on geographical area as well.

2.0 OBJECTIVES

After studying this unit, you should be able to:

- a. Define organizational structure
- b. Explain organizational structure
- c. identify the components of organizational structure

3.0 MAIN CONTENT

An **organizational structure** defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment.

Organizations are a variant of **clustered entities**.

An organization can be structured in many different ways, depending on their objectives. The structure of an organization will determine the modes in which it operates and performs.

Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the **branch**, **department**, **workgroup** and **individual**.

Organizational structure affects organizational action in two big ways. First, it provides the foundation on which standard operating procedures and routines rest. Second, it determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions.

3.1 History

Organizational structures developed from the ancient times of hunters and collectors in tribal organizations through highly royal and clerical power structures to industrial structures and today's post-industrial structures.

As pointed out by L. B. Mohr, the early theorists of organizational structure, Taylor, Fayol, and Weber "saw the importance of structure for effectiveness and efficiency and assumed without the slightest question that whatever structure was needed, people could fashion accordingly. Organizational structure was considered a matter of choice... When in the 1930s, the rebellion began that came to be known as human relations theory, there was still not a denial of the idea of structure as an artifact, but rather an advocacy of the creation of a different sort of structure, one in which the needs, knowledge, and opinions of employees might be given greater recognition." However, a different view arose in the 1960s, suggesting that the organizational structure is "an externally caused phenomenon, an outcome rather than an artifact."¹ In the 21st century, organizational theorists such as Lim, Griffiths, and Sambrook (2010) are once again proposing that organizational structure development is very much dependent on the expression of the strategies and behavior of the management and the workers as constrained by the power distribution between them, and influenced by their environment and the outcome.

3.1.1 Operational organizations and informal organizations

See also: [Informal organization](#) and [Formal organization](#)

The set organizational structure may not coincide with facts, evolving in operational action. Such divergence decreases performance, when growing. E.g., a wrong organizational structure may hamper cooperation and thus hinder the completion of orders in due time and within limits of resources and budgets. Organizational structures shall be adaptive to process requirements, aiming to optimize the ratio of effort and input to output.

3.2 Types

3.2.1 Pre-bureaucratic structures

Pre-bureaucratic (entrepreneurial) structures lack [standardization](#) of tasks. This structure is most common in smaller organizations and is best used to solve simple tasks. The structure is totally centralized. The strategic leader makes all key decisions and most communication is done by one on one conversations. It is particularly useful for new (entrepreneurial) business as it enables the founder to control growth and development.

They are usually based on [traditional domination](#) or [charismatic domination](#) in the sense of [Max Weber's tripartite classification of authority](#).

3.2.2 Bureaucratic structures

Weber (1948, p. 214) gives the analogy that “the fully developed bureaucratic mechanism compares with other organizations exactly as does the machine compare with the non-mechanical modes of production. Precision, speed, unambiguity, strict subordination, reduction of friction and of material and personal costs- these are raised to the optimum point in the strictly bureaucratic administration.” [Bureaucratic](#) structures have a certain degree of standardization. They are better suited for more complex or larger scale organizations, usually adopting a tall structure. The tension between bureaucratic structures and non-bureaucratic is echoed in Burns and Stalker’s distinction between mechanistic and organic structures.

The characteristics of bureaucracy are:

- Clear defined roles and responsibilities
- A hierarchical structure
- Respect for merit

Bureaucratic Structures have many levels of management ranging from senior executives to regional managers, all the way to department store managers. Since there are many levels, decision-making authority has to pass through more layers than flatter organizations. Bureaucratic organization has rigid and tight procedures, policies and constraints. This kind of structure is reluctant to adapt or change what they have been doing since the company started. Organizational charts exist for every department, and everyone understands who is in charge and what their responsibilities are for every situation. Decisions are made through an organized process and a strict command and control structure is present at all times. In bureaucratic structures, the authority is at the top and information is then flowed from top to bottom. This causes for more rules and standards for the company which operational process is watched with close supervision. Some advantages for bureaucratic structures for top-level managers are they have a tremendous control over organizational structure decisions. This works best for managers who have a command and control style of managing. Strategic-decision making is also faster because there are fewer people it has to go through to approve. Some disadvantages in bureaucratic structures are it can discourage creativity and innovation in the organization. This can make it hard for a company to adapt to changing conditions in the marketplace.

3.2.3 Post-bureaucratic

The term of post bureaucratic is used in two senses in the organizational literature: one generic and one much more specific. In the generic sense the term post bureaucratic is often used to describe a range of ideas developed since the 1980s that specifically contrast themselves with Weber's ideal type [bureaucracy](#). This may include [total quality management](#), culture management and [matrix management](#), amongst others. None of these however has left behind the core tenets of Bureaucracy. Hierarchies still exist, authority is still Weber's rational, legal type, and the organization is still rule bound. Heckscher, arguing along these lines, describes them as cleaned up bureaucracies, rather than a fundamental shift away from bureaucracy. Gideon Kunda, in his classic study of culture management at 'Tech' argued that 'the essence of bureaucratic control - the formalization, codification and enforcement of rules and regulations - does not change in principle.....it shifts focus from organizational structure to the organization's culture'.

Another smaller group of theorists have developed the theory of the Post-Bureaucratic Organization., provide a detailed discussion which attempts to describe an organization that is fundamentally not bureaucratic. [Charles Heckscher](#) has developed an ideal type, the post-bureaucratic organization, in which decisions are based on dialogue and consensus rather than authority and command, the organization is a network rather than a hierarchy, open at the boundaries (in direct contrast to culture management); there is an emphasis on meta-decision making rules rather than decision making rules. This sort of horizontal decision making by [consensus](#) model is often used in [housing cooperatives](#), other [cooperatives](#) and when running a [non-profit](#) or [community organization](#). It is used in order to encourage [participation](#) and help to [empower](#) people who normally experience [oppression](#) in groups.

Still other theorists are developing a resurgence of interest in [complexity theory and organizations](#), and have focused on how simple structures can be used to engender organizational adaptations. For instance, Miner *et al.* (2000) studied how simple structures could be used to generate improvisational outcomes in product development. Their study makes links to simple structures and improviser learning. Other scholars such as Jan Rivkin and Siggelko, and Nelson Ripening revive an older interest in how structure and strategy relate in dynamic environments.

3.2.4 Functional structure

A functional organizational structure is a structure that consists of activities such as coordination, supervision and task allocation. The organizational structure determines how the organization performs or operates. The term organizational structure refers to how the people in an organization are grouped and to whom they report. One traditional way of organizing people is by function. Some common functions within an organization include production, marketing, human resources, and accounting.

This organizing of specialization leads to operational efficiency where employees become specialists within their own realm of expertise. The most typical problem with a functional organizational structure is however that communication within the company can be rather rigid, making the organization slow and inflexible. Therefore, lateral communication between functions becomes very important, so that information is disseminated, not only vertically, but also horizontally within the organization. Communication in organizations with functional organizational structures can be rigid because of the standardized ways of operation and the high degree of formalization.

As a whole, a [functional organization](#) is best suited as a producer of standardized goods and services at large volume and low cost. Coordination and specialization of tasks are centralized in a functional structure, which makes producing a limited amount of products or services efficient and predictable. Moreover, efficiencies can further be realized as functional organizations integrate their activities vertically so that products are sold and distributed quickly and at low cost. For instance, a small business could make components used in production of its products instead of buying them. Even though functional units often perform with a high level of efficiency; their level of cooperation with each other is sometimes compromised. Such groups may have difficulty working well with each other as they may be territorial and unwilling to cooperate. The occurrence of infighting among units may cause delays, reduced commitment due to competing interests, and wasted time, making projects fall behind schedule. This ultimately can bring down production levels overall, and the company-wide employee commitment toward meeting organizational goals.

3.2.5 Divisional structure

The Divisional structure or product structure is a configuration of an organization, which breaks down the company into divisions that are self-contained. A division is self-contained and

consists of collections of functions which work to produce a product. It also utilizes a plan to compete and operate as a separate business or profit center. According to Zainbooks.com, divisional structure in America is seen as the second most common structure for organization today.

Employees, who are responsible for certain market services of types of products, are placed in divisional structure in order to increase their flexibility. The process can be further broken down into geographic (for example a U.S Division and an EU division), and product services for different consumers (for example companies or households). Another example of divisional structure would be an automobile company which utilizes a divisional structure. The company would have one division for trucks, another for SUVs, and another for cars. The divisions may also have their own departments such as marketing, sales, and engineering.

The advantage of divisional structure is that it uses delegated authority so the performance can be directly measured with each group. This results in managers performing better and high employee morale. Another advantage of using divisional structure is that it is more efficient in coordinating work between different divisions, and there is more flexibility to respond when there is a change in the market. Also, a company will have a simpler process if they need to change the size of the business by either adding or removing divisions. When divisional structure is utilized more specialization can occur within the groups. When divisional structure is organized by product, the customer has their own advantages especially when only a few services or products are offered which differs greatly. When using divisional structures that are organized by either markets or geographic areas they generally have similar function and are located in different regions or markets. This allows business decisions and activities coordinated locally.

The disadvantages of the divisional structure are that it can support unhealthy rivalries among divisions. This type of structure may increase costs by requiring more qualified managers for each division. Also, there is usually an over-emphasis on divisional more than organizational goals which results in duplication of resources and efforts like staff services, facilities, and personnel

Self Assessment

- Explain [team building](#) and its structure
- Explain the relationship between the [flat structure](#) and a company.

3.2.6 Matrix structure

The [matrix structure](#) groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department. Matrix structure is amongst the purest of organizational structures, a simple lattice emulating order and regularity

demonstrated in nature.

- **Weak/Functional Matrix:** A [project manager](#) with only limited authority is assigned to oversee the cross- functional aspects of the [project](#). The functional managers maintain control over their resources and project areas.
- **Balanced/Functional Matrix:** A project manager is assigned to oversee the project. Power is shared equally between the project manager and the [functional managers](#). It brings the best aspects of functional and project zed organizations. However, this is the most difficult system to maintain as the sharing of power is a delicate proposition.
- **Strong/Project Matrix:** A [project manager](#) is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed.

Matrix structure is only one of the three major structures. The other two are Functional and Project structure. Matrix management is more dynamic than functional management in that it is a combination of all the other structures and allows team members to share information more readily across task boundaries. It also allows for specialization that can increase depth of knowledge in a specific sector or segment.

There are both advantages and disadvantages of the matrix structure; some of the disadvantages are an increase in the complexity of the chain of command. This occurs because of the differentiation between functional managers and project managers, which can be confusing for employees to understand who is next in the chain of command. An additional disadvantage of the matrix structure is higher manager to worker ratio that results in conflicting loyalties of employees. However the matrix structure also has significant advantages that make it valuable for companies to use. The matrix structure improves upon the “silo” critique of functional management in that it diminishes the vertical structure of functional and creates a more horizontal structure which allows the spread of information across task boundaries to happen much quicker. Moreover matrix structure allows for specialization that can increase depth of knowledge & allows individuals to be chosen according to project needs. This correlation between individuals and project needs is what produces the concept of maximizing strengths and minimizing weaknesses.

3.3 Organizational [circle](#): moving back to flat

The [flat structure](#) is common in small companies (entrepreneurial start-ups, university spin offs). As companies grow they tend to become more complex and hierarchical, which leads to an expanded structure, with more levels and departments.

However, in rare cases, such as the examples of [Valve Corporation](#), [GitHub, Inc.](#) and [37signals](#), the organization remains very flat as it grows, eschewing [middle managers](#).^[12] All of the aforementioned organizations operate in the field of technology, which may be significant, as software developers are highly skilled [professionals](#), much like [lawyers](#). Senior lawyers also enjoy a relatively high degree of [autonomy](#) within a typical [law firm](#), which is typically structured as a [partnership](#) rather than a hierarchical bureaucracy. Some other types of professional organisations are also commonly structured as partnerships, such as [accountancy](#) companies and [GP surgeries](#).

Often, growth would result in **bureaucracy**, the most prevalent structure in the past. It is still, however, relevant in former Soviet Republics, China, and most governmental organizations all over the world. **Shell Group** used to represent the typical bureaucracy: top-heavy and hierarchical. It featured multiple levels of command and duplicate service companies existing in different regions. All this made Shell apprehensive to market changes, leading to its incapacity to grow and develop further. The failure of this structure became the main reason for the company restructuring into a matrix.

Starbucks is one of the numerous large organizations that successfully developed the matrix structure supporting their focused strategy. Its design combines functional and product based divisions, with employees reporting to two heads. Creating a team spirit, the company empowers employees to make their own decisions and train them to develop both hard and soft skills.

Some experts also mention the **multinational** design, common in global companies, such as **Procter & Gamble**, **Toyota** and **Unilever**. This structure can be seen as a complex form of the matrix, as it maintains coordination among products, functions and geographic areas.

In general, over the last decade, it has become increasingly clear that through the forces of globalization, competition and more demanding customers, the structure of many companies has become flatter, less hierarchical, more fluid and even virtual.

3.3.1 Team

One of the newest organizational structures developed in the 20th century is **team** and the related concept of team development or **team building**. In small businesses, the team structure can define the entire organization. Teams can be both horizontal and vertical. While an organization is constituted as a set of people who synergize individual competencies to achieve newer dimensions, the quality of organizational structure revolves around the competencies of teams in totality. For example, every one of the **Whole Foods Market** stores, the largest natural-foods grocer in the US developing a focused strategy, is an autonomous **profit centre** composed of an average of 10 self-managed teams, while team leaders in each store and each region are also a team. Larger bureaucratic organizations can benefit from the flexibility of teams as well. **Xerox**, **Motorola**, and **DaimlerChrysler** are all among the companies that actively use teams to perform tasks.

3.3.2 Network

Another modern structure is **network**. While business giants risk becoming *too clumsy to proact (such as), act and react efficiently*, the new network organizations contract out any business function, that can be done better or more cheaply. In essence, managers in network structures spend most of their time coordinating and controlling external relations, usually by electronic means. **H&M** is outsourcing its clothing to a network of 700 suppliers, more than two-thirds of which are based in low-cost Asian countries. Not owning any factories, H&M can be more

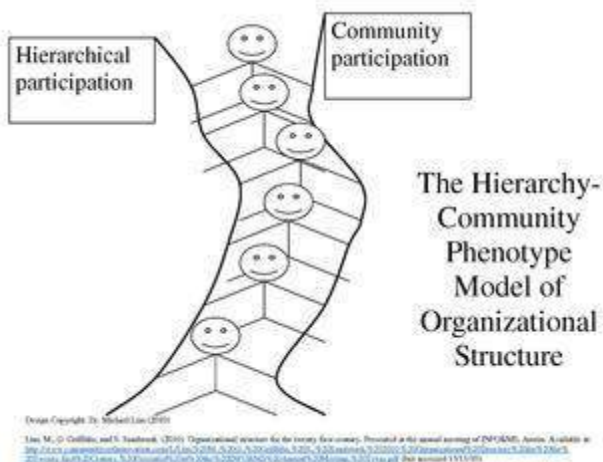
flexible than many other retailers in lowering its costs, which aligns with its low-cost strategy.

The potential management opportunities offered by recent advances in complex networks theory have been demonstrated including applications to product design and development, and innovation problem in markets and industries.

3.3.3 Virtual

Virtual organization is defined as being closely coupled upstream with its suppliers and downstream with its customers such that where one begins and the other ends means little to those who manage the business processes within the entire organization. A special form of boundaryless organization is *virtual*. Hedberg, Dahlgren, Hansson, and Olve (1999) consider the virtual organization as not physically existing as such, but enabled by software to exist. The virtual organization exists within a network of alliances, using the Internet. This means while the core of the organization can be small but still the company can operate globally be a market leader in its niche. According to Anderson, because of the unlimited shelf space of the Web, the cost of reaching niche goods is falling dramatically. Although none sell in huge numbers, there are so many niche products that collectively they make a significant profit, and that is what made highly innovative Amazon.com so successful.

3.3.4 Hierarchy-Community Phenotype Model of Organizational Structure



Hierarchy-Community Phenotype Model of Organizational Structure

In the 21st century, even though most, if not all, organizations are not of a pure hierarchical structure, many managers are still blind to the existence of the flat community structure within their organizations.

The business is no longer just a place where people come to work. For most of the employees, the firm confers on them that sense of belonging and identity — the firm has become their “village”, their community. The firm of the 21st century is not just a hierarchy which ensures maximum efficiency and profit; it is also the community where people belong to and grow together, where their affective and innovative needs are met.

Lim, Griffiths, and Sambrook (2010) developed the Hierarchy-Community Phenotype Model of Organizational Structure borrowing from the concept of Phenotype from genetics. "A phenotype refers to the observable characteristics of an organism. It results from the expression of an organism's genes and the influence of the environment. The expression of an organism's genes is usually determined by pairs of alleles. Alleles are different forms of a gene. In our model, each employee's formal, hierarchical participation and informal, community participation within the organization, as influenced by his or her environment, contributes to the overall observable characteristics (phenotype) of the organization. In other words, just as all the pair of alleles within the genetic material of an organism determines the physical characteristics of the organism, the combined expressions of all the employees' formal hierarchical and informal community participation within an organization give rise to the organizational structure. Due to the vast potentially different combination of the employees' formal hierarchical and informal community participation, each organization is therefore a unique phenotype along a spectrum between a pure hierarchy and a pure community (flat) organizational structure."

4.0 CONCLUSION

All of the aforementioned organizations operate in the field of technology, which may be significant, as software developers are highly skilled **professionals**, much like **lawyers**. Senior lawyers also enjoy a relatively high degree of **autonomy** within a typical **law firm**, which is typically structured as a **partnership** rather than a hierarchical bureaucracy. Some other types of professional organisations are also commonly structured as partnerships, such as **accountancy** companies and **GP surgeries**.

5.0 SUMMARY

The results in managers performing better and high employee morale, another advantage of using divisional structure is that it is more efficient in coordinating work between different divisions, and there is more flexibility to respond when there is a change in the market.

6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss the qualities of Operational organizations.

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Unit 2

Types of organizational structure

Table of Contents

1.0 Introduction

2.0 Objectives

3.1 Main Content

3.1 Types of organizational structure

3.1.1 Functional Structure

3.1.2 Divisional Structure

3.1.3 Matrix

3.1.4 Advantages and Disadvantages

3.2 Organisational structures

3.2.1 Functional Structure

3.2.2 Divisional Structure

3.2.3 Matrix

3.2.4 Advantages and Disadvantages

3.3

3.4

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference and Further Readings

1.0 INTRODUCTION

Organizations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organizations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate. There are three main types of organizational structure: functional, divisional and matrix structure.

2.0 OBJECTIVES

After studying this unit, you should be able to:

- a. define organizational structure
- b. identify the types of organizational structure
- c. explain the difference between the structure and process

3.0 MAIN CONTENT

3.1 Different Types of Organizational Structure

3.1.1 Functional Structure

Functional structure is set up so that each portion of the organization is grouped according to its purpose. In this type of organization, for example, there may be a marketing department, a sales department and a production department. The functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support itself. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

3.1.2 Divisional Structure

Divisional structure typically is used in larger companies that operate in a wide geographic area or that have separate smaller organizations within the umbrella group to cover different types of products or market areas. For example, the now-defunct Tecumseh Products Company was organized divisionally-- with a small engine division, a compressor division, a parts division and divisions for each geographic area to handle specific needs.

The benefit of this structure can be met more rapidly and more specifically; however, communication is inhibited because employees in different divisions are not working together. Divisional structure is costly because of its size and scope. Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

3.1.3 Matrix

The third main type of organizational structure, called the matrix structure, is a hybrid of divisional and functional structure. Typically used in large multinational companies, the matrix structure allows for the benefits of functional and divisional structures to exist in one organization. This can create power struggles because most areas of the company will have a dual management--a functional manager and a product or divisional manager working at the same level and covering some of the same managerial territory.

3.1.4 Advantages and Disadvantages

All managers must bear that there are two organisations they must deal with-one formal and the other informal.

-The formal organisation is usually delineated by an organisational chart and job descriptions and the official reporting relationships are clearly known to every manager.

-Alongside the formal organisation exists an informal organisation which is a set of evolving relationships and patterns of human interaction within an organisation that are not officially prescribed.

Formal organisational structures are categorised as:

- (i) Line organisational structure.
- (ii) Staff or functional authority organisational structure.
- (iii) Line and staff organisational structure.
- (iv) Committee organisational structure.
- (v) Divisional organisational structure.
- (vi) Project organisational structure.
- (vii) Matrix organisational structure and
- (viii) Hybrid organisational structure.

Self Assessment Exercise

Identify and explain differences between Divisional structure and organizational structure.

4.0 CONCLUSION

Small businesses can use a divisional structure on a smaller scale, having different offices in different parts of the city, for example, or assigning different sales teams to handle different geographic areas.

5.0 SUMMARY

In this unit, we have learnt the functional structure works very well for small businesses in which each department can rely on the talent and knowledge of its workers and support it. However, one of the drawbacks to a functional structure is that the coordination and communication between departments can be restricted by the organizational boundaries of having the various departments working separately.

6.0 TUTOR-MAKED ASSIGNMENT

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Unit 3 Line Organisational Structure

Table of Contents

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Line Organisational Structure

3.1.1 Features

3.1.2 Staff or Functional Authority Organisational Structure

3.2 Line and Staff Organisational Structure

3.2.1 Features

3.2.2 Disadvantages and Advantages

3.3 Divisional Organisational Structure

3.4 Project Organisational Structure

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference and Further Readings

1.0 INTRODUCTION

Line organization is the oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

2.0 OBJECTIVE

After studying this unit, you should be able to: - define the simplest form of organization.

-explain Line of authority flows from top to bottom

3.0 MAIN CONTENT

3.1 Line Organizational Structure

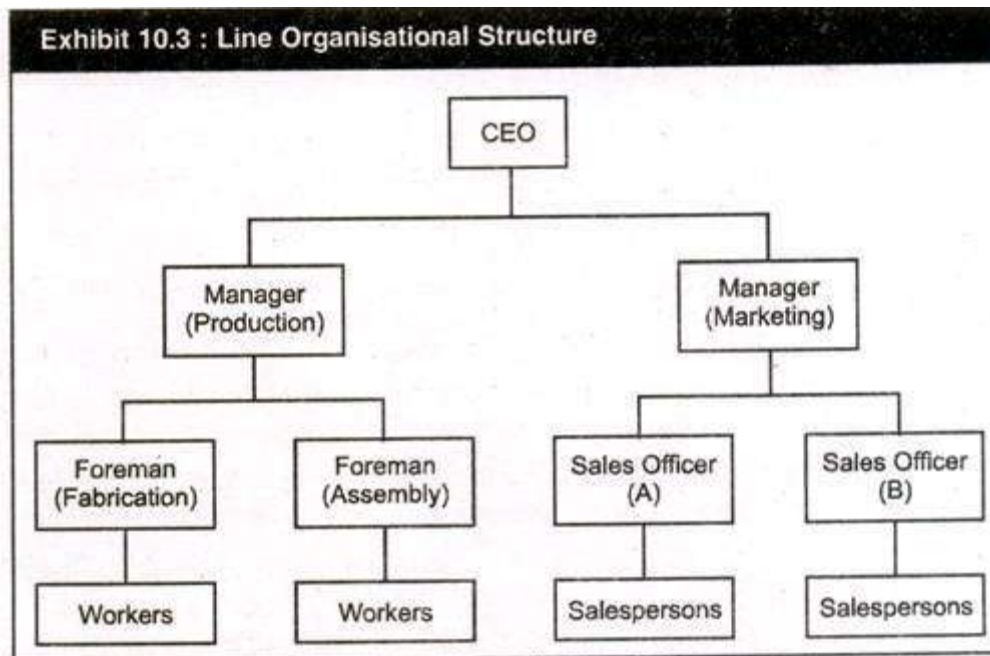
Features of Line Organization

1. It is the simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in this organization.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

3.1.1 Line Organisational Structure:

A line organisation has only direct, vertical relationships between different levels in the firm. There is only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

Illustrates a single line organisational structure



3.1.2 Features

Has an only direct vertical relationship between different levels in the firm

Advantages:

1. Tends to simplify and clarify authority, responsibility and accountability relationships
2. Promotes fast decision making
3. Simple to understand.

Disadvantages:

1. Neglects specialists in planning
2. overloads key persons.

Some of the advantages of a pure line organisation are:

(i) A line structure tends to simplify and clarify responsibility, authority and accountability relationships. The levels of responsibility and authority are likely to be precise and understandable.

(ii) A line structure promotes fast decision making and flexibility.

(iii) Because line organisations are usually small, managements and employees have greater closeness. However, there are some disadvantages also. They are:

(i) As the firm grows larger, line organisation becomes more ineffective.

(ii) Improved speed and flexibility may not offset the lack of specialized knowledge.

(iii) Managers may have to become experts in too many fields.

(iv) There is a tendency to become overly dependent on the few key people who perform numerous jobs.

3.1.3 Staff or Functional Authority Organisational Structure

The jobs or positions in an organization can be categorized as:

(i) Line position:

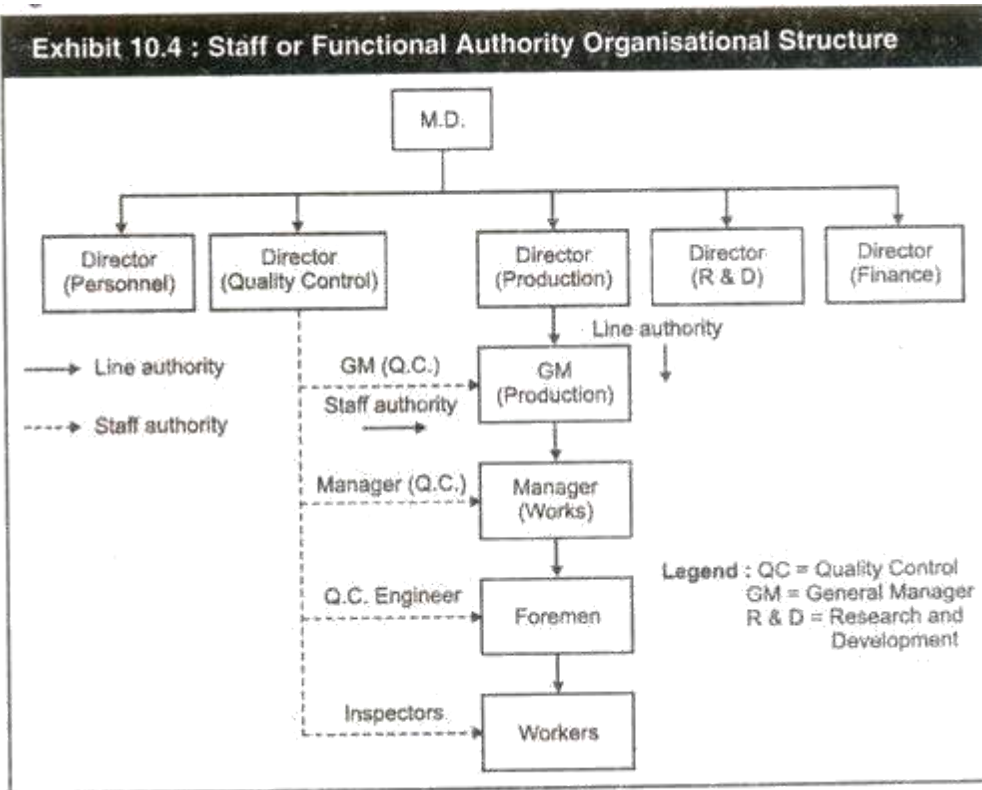
a position in the direct chain of command that is responsible for the achievement of an organization's goals and,

(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advise the line) over the line. This is also known as functional authority.

An organisation where staffs departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas)

The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Some staff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

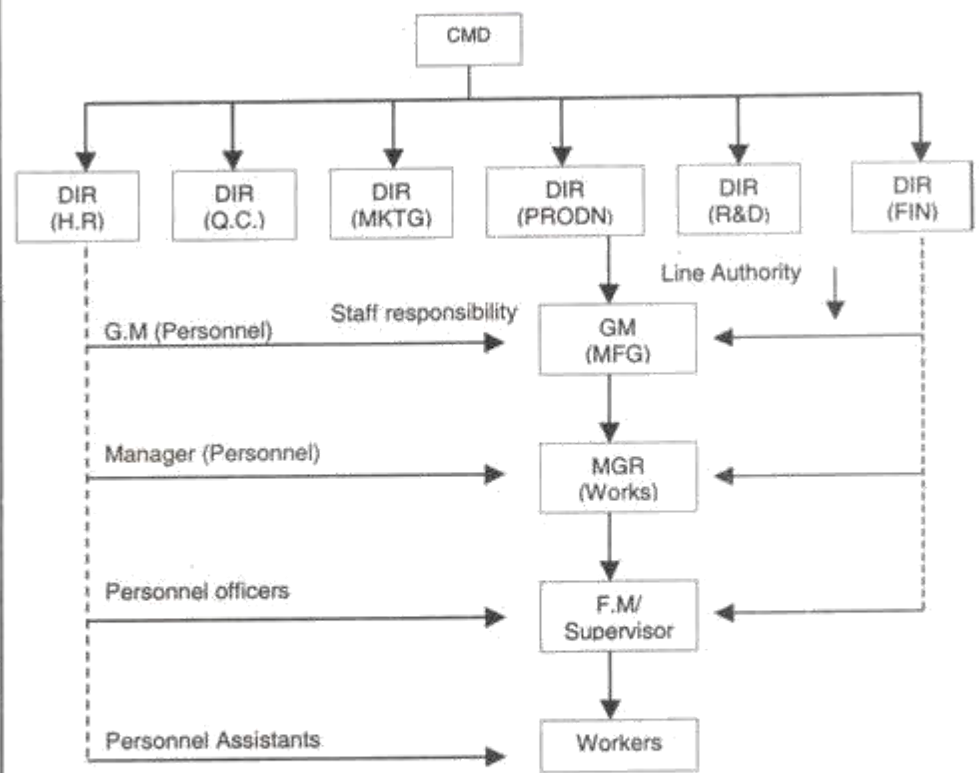
While this type of organisational structure overcomes the disadvantages of a pure line organisational structure, it has some major disadvantages:

They are: (i) the potential conflicts resulting from violation of principle of unity of command and (ii) the tendency to keep authority centralized at higher levels in the organisation.

3.2. Line and Staff Organisational Structure

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

Exhibit 10.5 : Line and Staff Organisational Structure



Legend:

HR – Human Resources
 MKTG – Marketing
 R & D – Research and Development
 MFG – Manufacturing
 MGR – Manager

DIR – Director
 QC – Quality Control
 PRODN – Production
 FIN – Finance
 GM – General Manager
 FM - Foreman

Exhibit 10.5 illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

- (i) Advising,
- (ii) Service and
- (iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

Some advantages are:

- (i) Even though a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.
- (ii) Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise.
- (iii) Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.
- (iv) Staff people may resent their lack of authority and this may cause line and staff conflict.

3.2.1 Features

1. Line and staff have direct vertical relationship between different levels.
2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.
3. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.

(a) Advisory:

Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

(b) Service:

Maintenance, Purchase, Stores, Finance, Marketing

(c) Control:

Quality control, Cost control, Auditing etc Advantages'

- (i) Use of expertise of staff specialists.
- (ii) Span of control can be increased
- (iii) Relieves line authorities of routine and specialized decisions.
- (iv) No need for all round executives.

3.2.2 Disadvantages and Advantages

Disadvantages

- (i) Conflict between line and staff may still arise.
- (ii) Staff officers may resent their lack of authority.
- (iii) Co-ordination between line and staff may become difficult. Committee Organisational Structure Features:

- (a) Formed for managing certain problems/situations
- (b) Are temporary decisions.

Advantages:

1. Committee decisions are better than individual decisions
2. Better interaction between committee members leads to better co-ordination of activities

3. Committee members can be motivated to participate in group decision making.

4. Group discussion may lead to creative thinking.

Disadvantages:

1. Committees may delay decisions, consume more time and hence more expensive.

2. Group action may lead to compromise and indecision.

3. 'Buck passing' may result.

3.3 Divisional Organisational Structure

In this type of structure, the organisation can have different basis on which departments are formed. They are:

(i) Function,

(ii) Product,

(iii) Geographic territory,

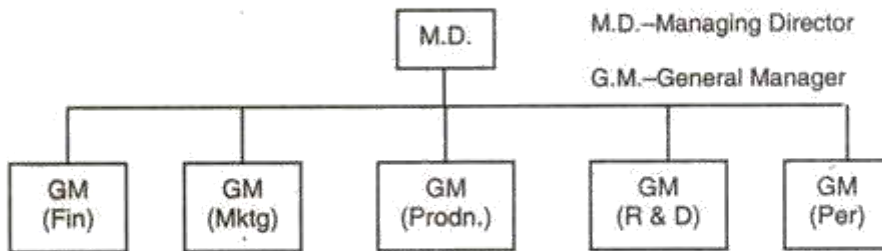
(iv) Project and

(iv) Combination approach.

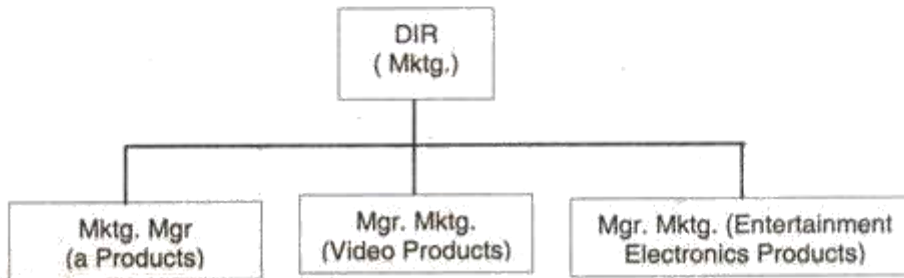
Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

Features : Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

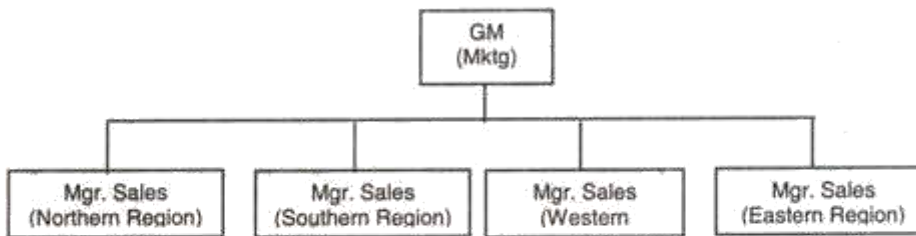
(a) Departmentation by Function



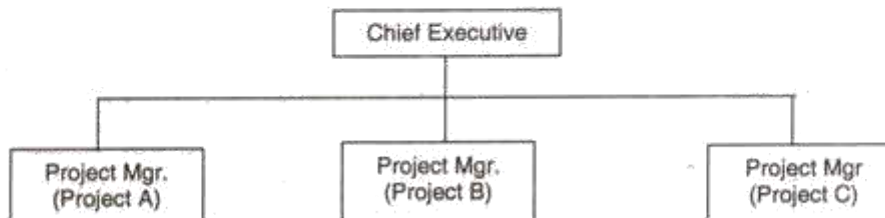
(b) Departmentation by Product



(c) Departmentation by Geographic territory



(d) Departmentation by Project



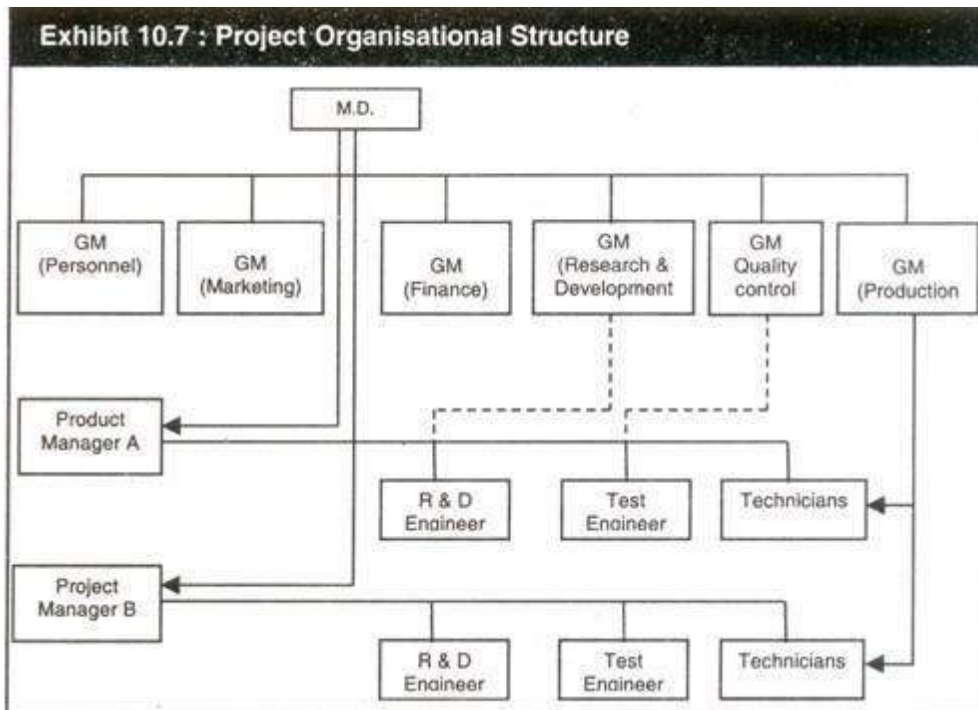
(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

3.4 Project Organisational Structure

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.

A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

Illustrates a project organisational structure



Feature:

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

3.4.1 Importance of Project Organisational Structure:

Project organisational structure is most valuable when:

- (i) Work is defined by a specific goal and target date for completion.
- (ii) Work is unique and unfamiliar to the organisation.
- (iii) Work is complex having independent activities and specialized skills are necessary for accomplishment.
- (iv) Work is critical in terms of possible gains or losses.
- (v) Work is not repetitive in nature.

3.4.2 Characteristics of project organisation:

1. Personnel are assigned to a project from the existing permanent organization and are under the direction and control of the project manager.
2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.
3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.
4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.
5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.
6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.

7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.

8. Full and free communication is essential among those working on the project.

Merits of Line Organization

1. **Simplest-** It is the most simple and oldest method of administration.
2. **Unity of Command-** In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline-** The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
4. **Fixed responsibility-** In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility-** There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.
6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

4.0 CONCLUSION

Line and staff structure is an extension of the standard line organizational structure, wherein staff supervisors and staff specialists are attached to the line of authority. Staff supervisors advise line executives; for example, the CEO represents a line executive and his administrative assistant, a staff official. The CEO has final decision-making power, but staff officers heavily advise every choice. Therefore, the line execs retain the power, but staff officers guide them – they are the power behind the throne. This interaction causes problems for line and staff organizations.

5.0 SUMMARY

In this unit, we have been able to have the combined line and staff authority processes that can result in confusion as well as disenfranchised employees. Line officials have the power to make decisions, which upsets some staff officials since they tend to put in more mental labor. The different levels of authority can cause confusion among employees who are not sure whether to follow the in-line executive or the relevant staff specialist.

6.0 TUTOR MADE ASSIGNMENT

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Unit 4 Matrix Organisational Structure

Table of Contents

1.0 Introduction

2.0 Objectives

3.0 Main Content

 3.1 Matrix Organisational Structure

 3.1.1 Feature

 3.2 Hybrid Organisational Structure

 3.3 The Informal Organisation

 3.4 Benefits of Informal Organisation

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference and Further Readings

1.0 INTRODUCTION

A matrix organization structure is usually defined as one where there are multiple reporting lines – that is, people have more than one formal boss. This may incorporate solid lines (direct strong reporting) and dotted lines (a weaker reporting relationship, but still indicating some formal level of ‘right’ to the individual’s time) or it may mean multiple solid lines to more than one boss. At this level, the definition of a matrix organization structure is quite simple but there are many different types of complex structure.

2.0 OBJECTIVES

After studying this unit, you should be able to: -define matrix organization structure
-explain the Hybrid Organisational Structure

3.1 Matrix Organisational Structure:

What is matrix management?

It is a type of organizational [management](#) in which people with similar skills are pooled for work assignments, resulting in more than one manager (sometimes referred to as solid line and dotted line reports, in reference to traditional business [organization charts](#)).

For example, all [engineers](#) may be in one engineering department and report to an engineering manager, but these same engineers may be assigned to different projects and report to a different engineering manager or a project manager while working on that project. Therefore, each engineer may have to work under several managers to get his or her job done.

The matrix for project management

A lot of the early literature on the matrix comes from the field of cross functional [project management](#) where matrices are described as strong, medium or weak depending on the level of power of the project manager.

Some organizations fall somewhere between the fully [functional](#) and the pure matrix. These organizations are defined in *[A Guide to the Project Management Body of Knowledge^{\[1\]}](#)* as 'composite'. For example, even a fundamentally functional organization may create a special project team to handle a critical project.

However, today, matrix management is much more common and exists at some level, in most large complex organizations, particularly those that have multiple business units and international operations.

Management advantages and disadvantages

Key advantages that organizations seek when introducing a matrix include:

- To break business [information silos](#) - to increase cooperation and communication across the traditional silos and unlock resources and talent that are currently inaccessible to the rest of the organization.
- To deliver work across the business more effectively – to serve global customers, manage supply chains that extend outside the organization, and run integrated business regions, functions and processes.
- To be able to respond more flexibly – to reflect the importance of both the global and the local, the business and the function in the structure, and to respond quickly to changes in markets and priorities.

- To develop broader people capabilities – a matrix helps develop individuals with broader perspectives and skills who can deliver value across the business and manage in a more complex and interconnected environment.

Key disadvantages of matrix organizations include:

- Mid-level management having multiple supervisors can be confusing, in that competing agendas and emphases can pull employees in different directions, which can lower productivity.
- Mid-level management can become frustrated with what appears to be a lack of clarity with priorities.
- Mid-level management can become over-burdened with the diffusion of priorities.
- Supervisory management can find it more difficult to achieve results within their area of expertise with subordinate staff being pulled in different directions.

Application: Advantages and Disadvantages in a project management situation

The advantages of a matrix for project management can include:

- Individuals can be chosen according to the needs of the project.
- The use of a project team that is dynamic and able to view problems in a different way as specialists have been brought together in a new environment.
- Project managers are directly responsible for completing the project within a specific deadline and budget.

The disadvantages for project management can include:

- A conflict of loyalty between line managers and project managers over the allocation of resources.
- Projects can be difficult to monitor if teams have a lot of independence.
- Costs can be increased if more managers (i.e. project managers) are created through the use of project teams.

In popular culture

- A great example of matrix-style management can be seen when Peter Gibbons messes up his TPS reports in the movie Office Space

Current thinking on matrix management

In 1990 Christopher A. Bartlett and Sumantra Ghoshal writing on matrix management in the [Harvard Business Review](#),^[3] quoted a line manager saying “The challenge is not so much to build a matrix structure as it is to create a matrix in the minds of our managers”. Despite this, most academic work has focused on structure, where most practitioners seem to struggle with the skills and behaviours needed to make matrix management a success. Most of the disadvantages are about the way people work together, not the structure.

In “Designing Matrix Organizations That Actually Work” [Jay R. Galbraith](#)^[4] says “Organization structures do not fail, but management fails at implementing them successfully.” He argues that strategy, structure, processes, rewards and people all need to be aligned in a successful matrix implementation.

In “Making the Matrix Work: How Matrix Managers Engage People and Cut through Complexity”, [Kevan Hall](#)^[5] identifies a number of specific matrix management challenges in an environment where accountability without control, and influence without authority, become the normal way of working:

- Context - matrix managers need to make sure that people understand the reasoning behind matrix working and change their behaviours accordingly
- Cooperation - a matrix is intended to improve cooperation across the silos, but it can easily lead to an increase in bureaucracy, more meetings and slower decisions where too many people are involved.
- Control - In a matrix managers are often dependent on strangers where they don't have direct control. There are many factors that can undermine trust such as cross cultural differences and communicating through technology and when trust is undermined managers often increase control. Centralization can make the matrix slow and expensive to run with high levels of escalation. Matrix managers need to directly build trust in distributed and diverse teams and to empower people, even though they may rarely get face-to-face.
- Community – the formal structure becomes less important to getting things done in a matrix so managers need to focus on the "soft structure" of networks, communities, teams and groups that need to be set up and maintained to get things done.

Visual representation

Representing matrix organizations visually has challenged managers ever since the matrix management structure was invented. Most organizations use dotted lines to represent secondary relationships between people, and charting software such as Visio and OrgPlus supports this approach. Until recently, [Enterprise resource planning](#) (ERP) and [Human resource management systems](#) (HRMS) software did not support matrix reporting. Late releases of [SAP](#) software support matrix reporting, and [Oracle](#) eBusiness Suite can also be customized to store matrix

information.

Clarification

Matrix management should not be confused with "tight matrix". Tight matrix, or co-location, refers to locating offices for a project team in the same room, regardless of management structure.

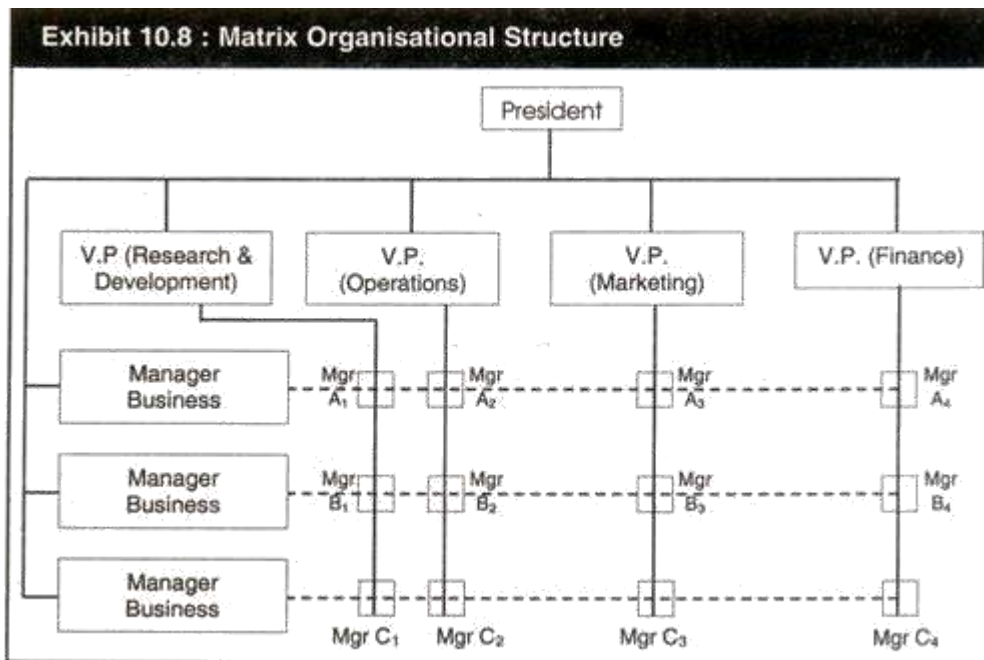
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

3.1.1 Feature

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages:

1. Decentralised decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems.



Disadvantages:

1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.

This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

How the structure evolves

Most organizations evolve from functional structures within a country or other geographic region. In this case, we have a number of functions such as manufacturing, legal, HR, sales, marketing, IT etc. each reporting to a country or region head.

It was normal for individuals within the functions to have a single reporting line to a functional boss right the way up to the functional director, who reported to the country head or region general manager. The functions were often described as 'silos'. People were recruited into a function, developed and managed within the function, and usually saw their career development as vertically within that function.

The functions were very successful in developing people and delivering work for a long time. Unfortunately, in modern organizations work stubbornly refuses to fit into these neat vertical silos.

As organizations grew they often became more international, integrated or developed multiple product groups. There started to be a requirement to coordinate across the group of companies – for example, to have a common IT approach or set of HR policies. The functional heads started to have a reporting relationship to a group level HR or IT person as well as to their country or region head. Initially this was often informal but, as the need for coordination increased, it often lead to dual reporting – **a group level matrix**.

Then, as organizations became more integrated the need for 'horizontal', cross functional and cross geographic working became more compelling:

- global customers demanded a single point of contact to speak to around the world;
- supply chains cut across geography and traditional functions such as manufacturing, purchasing, distribution;
- global projects and products required more coordination around the world;
- common systems in areas such as IT became more cost effective and efficient and enabled higher levels of integration and coordination.

Organization structure should *always* follow strategy, and as companies aspired to become more integrated and ‘joined up’ across functions and geographies, they tended to reflect this in the reporting lines of the organization.

Most organizations began with virtual teams, then introduced solid and dotted line reporting, eventually moving to the most complex form of matrix organization structure: **solid line reporting to more than one boss.**

3.2 Hybrid Organisational Structure

Exhibit 10.9 (a) illustrates the hybrid organisational structure.

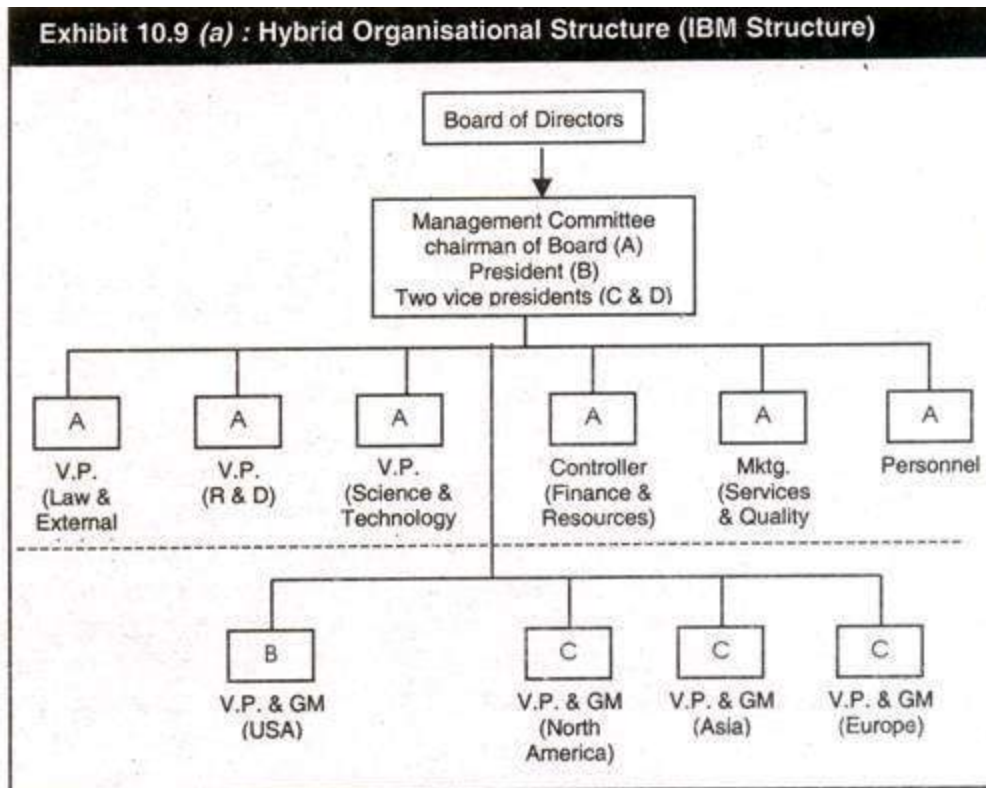
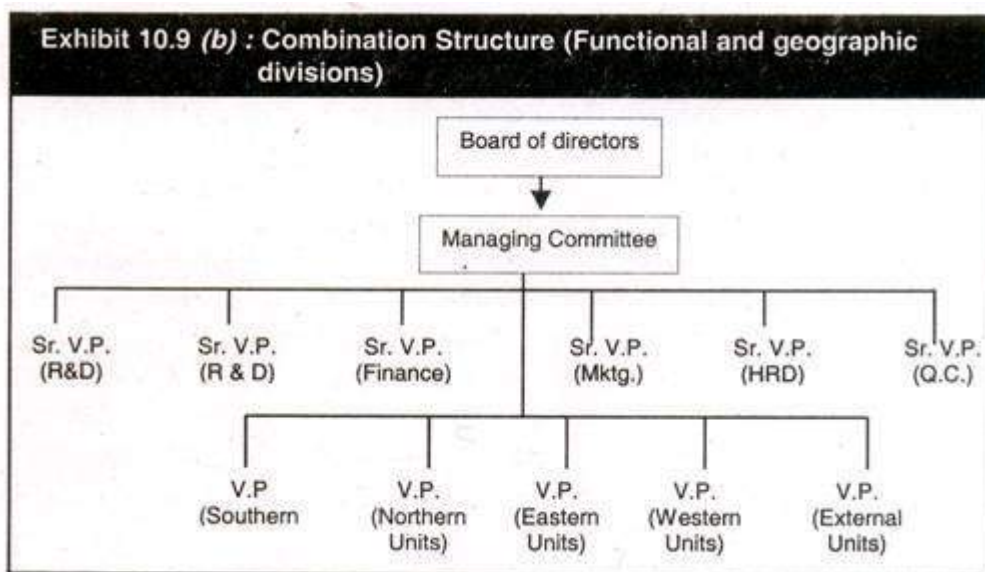


Exhibit 10.9 (b) illustrates a combination structure



Advantages:

1. Alignment of corporate and divisional goals.
2. Functional expertise and efficiency.
3. Adaptability and flexibility in divisions.

Disadvantages:

1. Conflicts between corporate departments and units.
2. Excessive administration overhead.
3. Slow response to exceptional situations.

Uses:

Used in organisations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency

This type of structure is used by multinational companies operating in the global environment, for example, International Business Machines USA. This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

3.3 The Informal Organisation

An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level. Since managers cannot avoid these informal relationships, they must be trained to cope with it

The informal organisation has the following characteristics

(i) Its members are joined together to satisfy their personal needs (needs for affiliation, friendship etc.)

(ii) It is continuously changing:

The informal organisation is dynamic.

(iii) It involves members from various organisational levels.

(iv) It is affected by relationship outside the firm.

(v) It has a pecking order: certain people are assigned greater importance than others by the informal group.

Even though an informal organisational structure does not have its own formal organisational chart, it has its own chain of command:

3.4 Benefits of Informal Organisation

- (i) Assists in accomplishing the work faster.
- (ii) Helps to remove weakness in the formal structure.
- (iii) Lengthens the effective span of control.
- (iv) Compensation for violations of formal organisational principles.
- (v) Provides an additional channel of communication.
- (vi) Provides emotional support for employees.
- (vii) Encourages better management.

Disadvantages of informal organisation:

- (i) May work against the purpose of formal organisation.
- (ii) Reduces the degree of predictability and control.
- (iii) Reduces the number of practical alternatives.
- (iv) Increases the time required to complete activities.

4.0 CONCLUSION

Matrix management is the practice of managing individuals with more than one reporting line (in a matrix [organization structure](#)), but it is also commonly used to describe managing [cross functional](#), cross business group and other forms of working that cross the traditional vertical business units – often silos - of function and geography.

5.0 SUMMARY

The matrix structure allows supervisors to focus on their areas of expertise. Functional supervisors focus on hiring, training and managing employees in their field, while project supervisors can focus on achieving the goals of their specific projects or products.

6.0 TUTOR-MARKED ASSIGNMENT

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Module 2

Unit 1 Conceptual Overview of Organizational Design

Unit 2 Coordination, Controlling and Information System

Unit 3 Leadership and Organizational Climate

Unit 4 Keys to successful Organizational Change

UNIT 1 CONCEPTUAL OVERVIEW OF ORGANIZATIONAL DESIGN

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The concept of an organization
 - 3.1.1 Features of an Organization
 - 3.1.2 Ways in which Organization are Conceptualized
 - 3.1.3 Types of Organizations
 - 3.1.4 Structure of an Organization
 - 3.1.5 Organizational design
 - 3.1.6 Steps to be taken when Constructing and Designing an Organization
- 4.0 Conclusion/Summary
- 5.0 Tutor-Marked Assignment
- 6.0 References/Further Reading

1.0 INTRODUCTION:

Organizations are seen as a group of people working individually and collectively to achieve a preconceived goal(s) and objectives. It is a social unit, structured and managed to achieve the goals/objectives for which, it was established. Organizations are characterized by a structure/design that guides relationship, people and activities. In addition, assigns roles, responsibilities and authorities to carry out task necessary to perpetuate its existence.

2.0 OBJECTIVES:

At the end of this unit, student should be abreast with:

- The concept of an organization and its design.
- Formal and Informal organization with the characteristic features of each.
- Structure and design of a formal organization.

3.0 MAIN CONTENT:

3.1 The Concept of Organization

An organization is conceptualized as a system, structure, configuration, and an association of persons engaged in concerted activities directed to the attainment of specific objectives Iheriohanma, (2000). Examples of organizations will include the following: Nigerian Union of Teachers (NUT), Academic Staff Union of Universities (ASUU), Nigerian Union of Journalists (NUJ), Shell Petroleum Development Company (SPDC), National Open University of Nigeria (NOUN), etc. All these are kinds of organizations and social

entities. A family, friendship clique, market, community etc are not organizations. However, there are features that differentiate and distinguish organization from other kinds of social institutions. An organization can be seen as a social unit of people structured and managed to pursue a collective goal or need. All organizations have management structures that determine activities and relationships of its members, in addition to flow of information, chain of command and order. This chain of command and order assigns roles, responsibilities, tasks and authority to its members. Robbins (1987) cited in Iheriohanma (2000) sees an organization, as a consciously coordinated social entity with a relatively identifiable boundary that functions on a relatively continuous basis to achieve a common goal or set of goals. This implies that organizations are:

- (a). Consciously coordinated, in a purposive manner that takes a management process. Again, task and activities are coordinated to ensure the realization of objectives and goals. The command chain, which is the human resource, has to be coordinated and maintained so as to adapt to both internal system and external environment.
- (b). Rational and formal establishment: this implies that, organization as an entity has an identity of its own.
- (c). Relatively identifiable boundary: This boundary is important to distinguish and differentiate organizations' members from non-members. Written and unwritten contracts between members and the organization, guides its boundary. Again, the boundary differentiates who is and who is not part of the organization.

(d). Continuity: This means that, there is relative continuity in every organization. This shows the presence of an enduring bond between members as well as in the existence of the organization. This equally implies that, the organization may out-live its owners or initial members.

(e). Organizations are open-system: That affects and is affected by their environment.

3.1.1 FEATURES OF AN ORGANISATION:

Every organization both formal and informal can be identified with these common features:

(a). Structure:- A common feature of any organization is the presence of a structure, that is the way, in which parts are being arranged, organized and connected together.

(b). Identifiable aggregation of human beings; - Every organization is a conglomeration of people that may be assigned or expected to perform different role(s) for the purpose of achieving the organization goal(s).

(c). Deliberate and Conscious Creation: Every organization is a creation of conscious and deliberate action/efforts to achieving a prior conceived agenda.

(d). Coordination of Activities: - Organizational activities are coordinated, and coordination in-turn breeds harmony.

(e). Rationality: - Organizations are instruments designed to attain formalized/specific goals or objectives. However, the attainments of those goals are guided by rules, constraints,

directives, jurisdiction, authority, coordination etc.

3.1.2 Ways in which organizations are conceptualized

- (a). Open-system:-_ The conceptualization of an organization is as an open system that involves input, output and transformational processes that depends on the environment for re-generation and survival.
- (b). Composition of Constituencies: - Organizations are made up of constituencies, units and segments that seek to satisfy their own interest. They usually influence the distribution of resources within the organization to their interest.
- (c). Rational entities: - Organizations are conceptualized as entities constructed for the pursuit of specific goals.
- (d). Social Contract: - Organizations are product of a social contract that contains written and unwritten agreement as its terms. Members are meant to perform certain functions and a reward or compensation is expected in return.
- (e). Roles and positions as Instruments of Domination: - Members of an organization are meant to perform roles, and are placed in positions, which as well is an instrument of domination. This constraint determines/restricts members' activities and interactions.
- (f). Internal constituencies: - As political system, organizations have internal constituencies, which struggle to control decision processes so as to enhance their

position and maximize control in their favor.

- (g). Decision Making: - Decision making is facilitated by processing information horizontally and vertically through a structural hierarchical system.

3.1.3 Types of Organization

There are two major types of organization “Informal and Formal” organization.

According to Ekpeyong (1993), Informal organization refers to the relationship between people in an organization that are based on personal, emotions, prejudices, attitudes and etc. This informal organization exists within every formal organization. They develop their own practices, values, norms and social relations as members live and work together.

On the other hand, formal organization refers to a well defined structure that bears a definite measure of authority, responsibility and accountability. Formal organization is characterized by large scale, complex, bureaucratic and administrative machinery. Rules and regulation are detailed and well defined, which not only regulate activities in the organization, but to which members must faithfully adhere to, in order to achieve set goals. This formalization, clearly states the bounds of discretion and responsibility of members. In official procedure, formal organizations appear to be inflexible; rules are rigidly enforced to the least detail.

3.1.4 Structure of an Organization

An organizational structure refers to the framework within which formal decision making takes place. The nature of the structure determines the quality and nature of the decision to be made. From our earlier discussion on the concept of an organization, it implies the need to formally coordinate the activities, interaction and patterns of members. Organizational structure therefore stipulates how jobs/tasks are to be allocated and apportioned within the organization, that is, Who does what, who reports to whom and who gets what. In doing this, the coordinating mechanism and interacting pattern are determined. According to Ekpeyong (1993) there are three components that make up an organizational structure.

1. Formalization: - This emphasizes the extent/degree to which organizations rely on rules, regulations and procedures to manage and direct behavior of members. However, this depends on the size, hierarchy and structure of the organization.
2. Complexity: - Complexity refers to the extent to which an organization is separated within itself. It is the degree of specialization, division of labor, hierarchy and the degree to which the organizational units are separated from each other.
3. Centralization: - There seems to be centralization in decision making and authority in organizations. However, depending on the organizational structure/types, some organizations imbibe either a decentralized or a

diffused approach in decision making and exercise of authority.

3.1.5 Organizational Design

According to Nwachukwu (1988), Organizational Design is a formal process of integrating people, information and technology within an organization. The design of any organization is used to match the form/structure of the organization with the purpose/goals which the organization intends to achieve. In addition, this will include plan/processes in making changes in other to achieve organization objectives. From the explanation the emphasis is on the management side of the organization. Organizational design has the goal(s) of the organization as its basis, while the process creates room for achieving the goals. Therefore, organizational design is a conscious plan or blue print designed for managing the structure of the organization. This takes the demand created by the size, complexity, objectives and the goals of the organization. For an instance, complexity and the size of an organization determine the chain of command and order, which provides a frame work for the flow of authority and communication.

3.1.6 STEPS TO BE TAKEN WHEN CONSTRUCTING OR DESIGNING AN ORGANISATION:

- (1). Goals and Objectives: Establish and define the goals, objectives, plans and policies of the organization.
- (2). Identify/Understand the Organizations' Operations: this has to do with the identification of various activities and key

processes to fulfill the goals and objectives of the organization.

(3). Defining/Classification of activities: this is the identification and classification of key activities necessary for the actualization of goals.

(4). Identify/define rules: Here rules, regulations, responsibilities, skills, knowledge, experience, behavior, attitude etc are identified/defined for each role in the organization.

(5). Structure and Authority: the desired structure of the organization is determined and direction/flow of authority needed for the execution/implementation of plans and policies. Again, structure and authority are well spelt out for each individual and group.

(6) Define Organizations' Characteristics: As much as possible, all the known characteristics of the organization must be defined. This will include strengths, threats, opportunities, and weaknesses/deficiencies.

(7). Job Analysis: there have to be detailed job description, specification and analysis for members.

(8). Evaluation: Evaluate and verify that the organizational structure will achieve its pre-conceived goals and objectives. This evaluation will include an analysis of identified loopholes and necessary plug-ins to forestall failures.

4.0 SUMMARY/CONCLUSION

Organizations are formally and rationally established entity for the sole purpose of attaining specific and prior conceived goals. The type and manner of establishment of any

organization will include formalization, rationalization, specificity of purpose and intent. And these will inform the design of the organization. Organizational design on the other hand, stipulates the formal integration of all organizational elements that include people, information and technology within the organization. This distinguishes formal organization from other social groups or social organizations.

5.0 TUTOR-MARKED ASSIGNMENT

(1) Briefly explain the concept of organization?

(2) Having read and understood this unit, with examples, differentiate between a formal and an informal organization.

(3) What are the characteristic features and structures of a formal organization?

(4) Discuss the necessary steps needed in constructing and designing of an organization.

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UNIT 2 COORDINATION, CONTROL AND INFORMATION SYSTEMS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Explanation of Coordination, Controlling and Information System
 - 3.1.1 Coordination
 - 3.1.2 Controlling
 - 3.1.3 Information System
- 4 Conclusion
- 5 Summary
- 6 Tutor-Marked Assignment
- 7 References/Further Reading

1.0 INTRODUCTION

In this unit, you will learn the role of coordination, control and information system in an organisational design. They assist in the function of management of an organisation. These functions include the integration of activities and responsibilities along control structures which enable the resources of the organisation in achieving specific objectives at the end.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Explain coordination, control and information system in organisations; and

- State the role of coordination, control and information system in the management of an Organisation.

3.0 MAIN CONTENT

3.1 Explanation of Coordination, controlling and information system

3.1.1 Coordination

This is one of the essences of managerial functions. It entails clear definition, entails the filling of positions as indicated in the organizational structure. This necessitates defining workforce requirements for the job to be done. The activity also incorporates inventory, appraisal and selection of candidates for appropriate position, compensating and training. It is one of the main elements of management. It is the balancing and maintaining the team by ensuring a suitable division of work and ensuring that tasks are performed in harmony. It is the process of organizing people or groups so that they work together properly and well. It is also the process of causing things to be the same or to go together well and the ability to move different parts of your body together well or easily. Coordinating is the performance of organisational activities with several units working simultaneously and somewhat independently towards the same goal. It is the manager's job to coordinate those diverse functions in order to ensure effectiveness and efficiency.

3.1.2 Controlling

This is another essence of managerial functions. This is the measuring of performance in all pre - determined objectives, determining reasons for deviation and taking appropriate actions, where necessary.

Controlling is an important function an organization moves towards in achieving its objectives. Management is defined as a process of efficient and effective utilization of resources through proper monitoring and co-ordinating for realization of organisational goals. In short, management refers to the process of delegating tasks to employees to be performed successfully. A single thread running through various definitions of management is that it is a process which enables organizations to set and achieve their objectives by planning, organizing and controlling their employees through motivation. Motivation is a leadership function that engenders cooperation with a leader among members of organisation. These activities are usually grouped in a concept categorized as management function.

There is usually a gestation period between planning and implementation on one hand and the accomplishment of organisation's objective on the other. During that interval, the manager continuously monitors and evaluates performance, policy and procedure against previously set standards and objectives. He analyses any deviation and corrects mistakes to ensure, that the set objectives are achieved. The last four activities can be regarded as the implementation function. It is obvious from the above that for an organization to succeed or for a manager to be effective, there must be a coincidence of good planning and effective implementation. Any deviation from such a coincidence produces outright failure or creates problems.

3.1.3 Information System

Information system is the structure sub-divides the total responsibility if a strategy is to be

effectively implemented, the organisational arrangements are necessary as they provide the information to managers to perform their task and relate their work to others. Information system, therefore, serves the important purpose of enabling the managers to know what they need to grasp in order to perform their tasks and also to coordinate their activities.

The word information can be defined as data that has to be put into a meaningful and useful context and communicated to a recipient who uses it to make decision. Information is 'live' and the same has to be updated all the time and is renewable. It is substitutable and can be made to travel. The all round exponential growth of information makes it necessary that information is stored and retrieved in various fields so that it could be usefully exploited as and when needed. In a competitive market, before deciding about the price of an item, the producer needs information about the pricing of competitive products, sales techniques and so on to penetrate the market.

Information can be defined as the data, which organised and presented at a time and placed so that the decision-maker may take necessary action. Generally, data are processed through models to create information, the recipient receives information and then makes a decision and takes action, this creates other actions or texts, which in turn create a number of scattered data that, are captured and serve as input; and the cycle start all over again. Business organisations need a system that helps in gathering and communicating the required information.

Management information system (MIS) deals with the information requirements of the business organisation. Kelly defines MIS as a

combination of human and computer based resources that result in collection, storage, retrieval, communication and use of data for the purpose of business management and business organisation. It is viewed as a means of converting data into information for decision making. Conventional data processing activity transforms data into information. MIS is different from data processing activity. According to Peter Kene, it is effective design, delivery and use of information system in organization.

Many companies make decisions on the basis of inference, innuendo, imaginative leaps of faith and rumour. Decision scientist, who specialize in information systems and their development, frequently lament the failure of organizations to make well-informed and rational decisions, seeming to prefer instead to make decisions that are poorly informed and quasi-rational (Meyer and Boone 1989 quoted in Murgatroyd & Morgan).

There are essentially functions (roles) that a team needs to perform for which it needs clear and lateral thinking and some form of systematic approach (information system) to the collection and use of information:

1. *Collect basic information.* Before tackling a problem, a team needs good basic information about the extent, dynamics and nature of the problem.
2. *Convert ideas and information into measures.* Many good ideas are implemented with a “let’s wait and see what happens’ approach – often good data about the idea, is not collected in a way that helps modify the idea, and the evaluation is often more subjective than it needs to be.

3. *Analysing processes.* When a team has the task of securing process improvements, it will often need to examine and understand the process, and to do this in a more objective way than has been the case hitherto.
4. *Designing improved processes.* Understanding a process is the first step to improving it.
5. *Establish standards.* For a team to implement change successfully, it needs to establish targets for both its work and the staging points for achieving major gains in its performance.
6. *Manage performance.* Having achieved an acceptable level of performance against its established standards, the team needs to record how this is achieved (describe its effective process) and sustained.

Information Technology is the means to making information system work for managers. It drives information system as a tool for managing rather than a strategy in itself. Information system includes the usage of information technology to be dictated by strategic consideration rather than strategies being determined on the basis of the information technology tools available which is for control and reward.

SELF-ASSESSMENT EXERCISE

Discuss the role of information technology in fulfilling the sub division of responsibility in modern management.

4.0 CONCLUSION

In this unit, you have learnt of coordination, control and information system in management and organization. As a manager/potential

manager you would be in a position to explain the concepts and state in simple term their roles. Information system is the structure that sub-divides the total responsibility. The organizational arrangements are necessary as they provide the information to managers to perform their task and relate their work to others.

5.0 SUMMARY

In summary the explanations of coordination, control and information system were discoursed, stating their roles in management of an organization.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the role of coordination, control and information system in the management of an organisation.

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UNIT 3 – LEADERSHIP AND ORGANIZATIONAL CLIMATE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 The Concept of Leadership
 - 3.2 Organizational Climate
 - 3.3 Leadership and Impact on Organizational Climate
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

Once the organizational goals, plans, and strategies are in place, managers must develop a structure that will best facilitate the attainment of these goals. Recall that organizing is the function of management that creates the organization's structure. When managers develop or change the organization's structure, they are engaging in organizational design, which process involves making decisions about how specialized jobs should be, the rules to guide employee's behaviours, and at what level decisions are to be made. Elements of organizational design are specialization, departmentalization, authority and responsibility, span of control,

centralization and decentralization, and formalization.

We can look at organizational climate as employees' shared perceptions or experiences of the policies, practices, and procedures of the workplace and the behaviours that get rewarded, supported and expected there. This Unit shall focus on the impact of leadership on organizational climate.

2.0 OBJECTIVES

At the end of this Unit, you should be able to:

- Discuss leadership with particular reference to meaning and styles;
- Explain organizational climate;
- Distinguish between organizational culture and organizational climate; and
- Discuss the impact of leadership on organizational climate.

3.0 MAIN CONTENT

3.1 THE CONCEPT OF LEADERSHIP

Many theorists have recognized the central role of a leader in organizational development. Hersey and Blanchard (1996) have observed that “the successful organization has one major attribute that sets it apart from the unsuccessful organization: dynamic and effective leadership.”

Leadership has been defined in various ways. The central concept of leadership is power to influence others and get them to do the things they otherwise would not do. Leadership can be defined as “the activity of influencing people to strive willingly for a group objective” (Terry, 1960). On the other hand, Tennebaum et al (1959) defined it as “interpersonal influence exercised in a situation and directed through the communication process, towards the attainment of a specialized goal or goals.”

Other definitions of leadership include the following:

- Leadership is an attempt to use influence to motivate individuals to accomplish some goals (Gibson et al, 2012).

- Leadership is:

..... a social influence process that involves determining a group’s objectives, motivating behaviour in aid of these objectives, and influencing group maintenance and culture.

(Lewis, Goodman & Fandt, 1995)

- Koontz & O’Donnell define leadership as “influencing people to follow in the achievement of a common goal.”

After an extensive review of the literature on leadership, Hersey and Blanchard offered their own definition, thus:

..... leadership is the process of influencing the activities of an

individual or a group in effort towards goal attainment in a given situation. From this definition, it follows that the leadership process is a function of the leader, the followers, and other situational variables.

Also, we can see that leadership is more complex, and has at least three components (Smith, 2011). Leadership involves accomplishing goals with and through people. A leader, in his attempt to achieve success must, therefore, be people and task focused. The hallmark of an effective leader lies in the delicate balancing of task and human relations practice.

In summary, we may define leadership as the ability to influence followers to achieve an organizational goal in as painless a manner as possible through eliciting in the followership, a high sense of commitment, integrity, honesty, accountability, and freedom of dissent (Agbonifoh, Agbadudu & Iyayi, 2005).

The concept of power is central to the exercise of leadership. Sources of a leader's power can be highlighted as follows:

- Authority – formally warranted power or legitimate power
- Control over resources
- Reward power
- Coercive power
- Charisma
- Expressiveness – this considers the ability of the individual to engage in specifically political acts activities that

are meant to expand the influence of the individual.

There are different theories of leadership. However, there have been three rather dominant theories, and we wish to highlight them:

- Trait theory of leadership;
- Attitudinal theory of leadership; and
- Contingency theory of leadership.

The modern challenges of leadership call for strategic thinking, building of scenarios and developing capacity for rapid, adaptive response based on a broad range of leadership strategies, rather than long-range planning in a world where the equation of change has assumed an exponential growth. These new challenges require both mutually and inclusiveness through connective edges. Individual innate abilities, distinctiveness, idiosyncrasies, dissent and individualism must be given space to unfold.

SELF-ASSESSMENT EXERCISE 1

- Define 'leadership' in your own words.
- Who is a leader?

3.2 ORGANIZATIONAL CLIMATE

One of the most important and significant characteristics of a great workplace is its organizational climate. Organizational climate is a mechanism for understanding the problems and challenges of organizations. It is described as a set of perceptions which individuals have about different work aspects in the organization (Evans, 1996).

Online Business Dictionary defines it as properties of the business environment in a workplace observed by staff that strongly influences their actions and job performance. For example, a perceptive business manager might take the trouble to survey employees about the organizational climate, to identify and promote those aspects that are most conducive to achieve corporate objectives. Organizational climate is also called 'corporate climate'.

Organizational climate can be said to be the process of quantifying the culture of an organization. Organizational culture is what the employees perceive and this perception creates a pattern of beliefs, values, and expectation.

Organizational climate differs from organizational culture. Organizational culture is a system of shared assumptions, values and beliefs that govern how people behave in organizations. The culture of an organization provides boundaries and guidelines that help members of the organization know the correct way to perform their jobs.

The culture of an organization is ingrained in the behaviour of the members of an organization, and this is very difficult to change. Therefore, culture can be thought of as the 'personality of an organization. The unique culture of an organization creates a distinct atmosphere that is felt by the people who are part of the group, and this atmosphere is known as the 'climate' of an organization. Thus, 'organizational climate' can be defined as how members of the organization experience the culture of an organization. The climate of an organization changes frequently, and can be shaped by the top management of an organization.

From the foregoing discussion, therefore, if culture represents the personality of the organization, climate is the organization's mood. Organizational climate is much easier to experience and measure than organizational culture, and also, much easier to change.

The culture of an organization can produce many different types of climates, and they can be grouped in many different ways. According to Halpin and Croft (1963), six types of organizational climate exist, and these are highlighted:

- Open climate
- Autonomous climate
- Controlled climate
- Familiar climate
- Paternal climate
- Closed climate

Another way to categorize the different types of organizational climates is climates that are:

- People-oriented
- Rule-oriented
- Innovation-oriented
- Goal-oriented

SELF-ASSESSMENT EXERCISE 2

- What is organizational climate?

- Distinguish between organizational culture and organizational climate. What is the relationship between the two?

3.3 Leadership and Impact On Organizational Climate

Recall that leadership is the process by which a person influences others to accomplish an objective, and directs the organization in a way that makes it more cohesive and coherent.

Six leadership types can be identified:

- i) The Coercive style (The Dictator)
- ii) The Authoritative style (The Visionary)
- iii) The Affiliative style (The People's person)
- iv) The Democratic style (The Listener)
- v) The Pacesetter style (The Superman/Superwoman)
- vi) The Coaching style (The Nurturer)

Leadership styles offer clear guidance to the manager, using these styles as appropriate as situations require. Thus, all of these styles are useful at different times, but used at the wrong time, they can be disastrous. For example, too much of listening when immediate action is required, or only providing a vision when a team needs building or rebuilding. The type of leadership style used will affect performance and results.

Note that key factors that influence organizational climate include:

- Flexibility – how free employees feel to innovate unencumbered by red tape;
- Level of standards that people set;
- The sense of accuracy about performance feedback and aptness of rewards;
- The clarity people have about mission and values;
- The level of commitment to a common purpose.

A summary of how the different leadership styles affect the organizational climate and performance are as follows:

1) Coercive Style

Positive Aspects

- Appropriate in severe situations and emergency
- Able to break failed business habits and shock people into new ways of working
- Can work with problem employees when all else have failed

Negative Aspects

- Top-down decisions override new ideas
- Staff unable to act on their own initiative
- Undermines motivation to employees

2) Authoritative style

Positive Aspects

- Most effective among the six leadership styles
- Motivates people and able to lead them to a clear direction
- Maximizes commitment to the business' goals and strategy with defined standards
- Gives employees the freedom to innovate, experiment and take calculated risks

Negative Aspects

- Will not work when working with a team of experts/peers who are more experienced
- Can undermine an effective team if authoritative becomes overbearing

3) Affiliative style

Positive Aspects

- Reaps strong loyalty by building strong emotional bonds
- Drives up flexibility and does not impose unnecessary structures on how work is done
- Offers ample positive feedback for motivation
- Creates a sense of belonging for employees

Negative Aspects

- Exclusive focus on praise can allow poor performance to go uncorrected

- Perception that mediocrity is tolerated
- Rarely offers constructive advice on how to improve (directionless)

4) **Democratic style**

Positive Aspects

- Drives up flexibility and responsibility when letting employees have a say in decisions
- Employees tend to be realistic about what they can and cannot accomplish

Negative Aspects

- Employees may not be competent or informed enough to offer sound advice
- Unable to reach to a consensus/decision

5) **Pacesetting style**

Positive Aspects

- Works well when all employees are self-motivated, highly competent and need little direction/coordination
- Gets works done on time and even ahead of schedule

Negative Aspects

- Overwhelmed by demands for excellence; morale will drop
- Employees do not feel trusted to work in their own way or to take initiatives as ideas will be shot down
- Work becomes task focused, dependent and routine, with no sense of flexibility and responsibility

6) Coaching style

Positive Aspects

- Helps employees to identify their strengths and weaknesses, establish long-term development goals, and helps to attain them
- Employees are more responsible when they know what is expected of them

Negative Aspects

- Ineffective if employees are resistant to learning or changing their ways
- May create fear or apathy through ongoing performance feedback

4.0 CONCLUSION

As the ability to influence followers, leadership involves the use of power and the acceptance of the leader by the followers. Leaders who used styles that positively affect the climate had better financial results than those who do not. Also, studies have shown that leaders who have mastered four or more leadership styles (especially, the authoritative, democratic, affiliative, and coaching styles) have the very best climate and business performance.

5.0 SUMMARY

In this Unit, we have been able to:

- Explain that leadership is the process of influencing the activities of an individual or a group in effort towards goal attainment in a given situation, and that the central concept of leadership is power to influence others and get them

to do the things they otherwise would not do;

- Distinguish between organizational culture and organizational climate, and explained the relationship between the two; and
- Summarized how the different leadership styles affect the organizational climate and performance.

6.0 TUTOR-MARKED ASSIGNMENT

- Assess the impact of leadership on organizational climate in a manufacturing firm.

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UNIT 4 KEYS TO SUCCESSFUL ORGANIZATIONAL CHANGE

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Determining readiness for change
 - 3.2 Gaining commitment and support
 - 3.3 Managing transition and training
 - 3.4 Assessing the impact
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-marked Assignment
- 7.0 References/Further reading

1.0 INTRODUCTION

Lasting change is a dilemma for most organizations. It is a tough challenge to successfully manage change while running day-to-day operations. But, in today's fast paced global business environment characterized by mergers, acquisitions, downsizing, cultural change or fast growth, change has become inevitable. Resistance to change could cause the downfall of an organization both in terms of team productivity and the balance sheet.

Studies have shown that successful change demands more than plans and processes. It requires an understanding of the human side.

Plans and processes themselves do not create the change. Organizational change occurs only through the sustained collective actions of the employees who are responsible for designing, executing and living the change. Therefore, it is essential that leaders model the way and communicate with exceptional clarity. Leaders must provide training to build new skills and they must pay greater attention than usual to what employees are doing.

2.0 OBJECTIVES

At the end of studying this unit, you should be able to:

- Define organizational change in your own words;
- List and explain the various keys to implementing successful organizational change;
- Highlight the factors that will determine the readiness for an organizational change;
- State and explain the responsibilities of the parties that should be involved in effecting changes in an organization; and
- Explain the importance of training in organizational change.

3.0 MAIN CONTENT

From various literatures, organizational change can be defined as the process whereby an organization changes its structure, strategies, operational methods, technologies or organizational culture in order to effect changes within the organization and the effect of these changes on the organization. Organizational change can also be referred to as reorganization, restructuring and turnaround. In ensuring successful organizational change, there are some roadmaps or keys that must be considered by the manager effecting the change. These keys should be aligned with the peculiarities of the organization in which the change is taking place.

The following are keys to implementing successful organizational change:

- Determining readiness for change
- Gaining commitment and support
- Managing transition and training
- Assessing the impact

We will now treat these keys.

3.1 Determining readiness for change

The change plan for an organization should be a reflection of the organization's readiness for change. A different plan is required where there is low readiness compared to a situation where people are highly motivated or ready to change. An assessment inventory could be used to

determine an organization's readiness for change. The questions or list of factors in the assessment inventory are clustered around the following organizational characteristics:

- I. Previous responses to change
- II. Significant changes currently taking place
- III. Visible support from top management.

These lists of factors should be developed and used to assess the organization's readiness for change.

3.2 Gaining commitment and support

It should be noted that successful leaders of change are not lone rangers. There are three levels of support that you will need for effective successful change in any organization. They include:

I *Top management*: in selecting a top management sponsor, the person to be selected should be carefully considered. A checklist of characteristics of an effective sponsor should be highlighted such as

- Effective at influencing peers
- Courage to engage opponents of the initiative or change.

II *Critical stakeholders*: Members of the change team should be key representatives

from critical departments. Selection criteria should be developed for these individuals.

To gain the commitment and support of the general population, we need to communicate from inception to completion of the project. Most organizational change is managed using strategic communication that is noticeably similar to marketing a new product.

Change team members are key in communication process. They can easily brief the people in their respective departments on the status of the change project. Effective communication and resulting employee commitment will be readily achieved if the change is also implemented in distinct stages.

As a manager, there is the need to explain to employees what the current situation is, and why the status quo is not working. Let them be aware of the reason why the organization cannot continue the way it has been and then paint the vision for the future. The vision and benefits need to be reinforced repeatedly to help employees get on board.

It should be noted that recent findings in behavioural research show that even individuals who are openly supportive often fail to apply the change. It is therefore imperative to identify what individual team

members need to make the leap from saying “yes” to acquiring necessary skills and applying needed adjustments. As soon as that is accomplished, rapid and lasting behavioural change can occur.

3.3 Managing Transition and Training

This is the phase where the organization works to make the actual transition from the current state to the future state. This stage involves activities designed to make a change in the organization, for example, creating and/or modifying major structures and processes in the organization. These changes might require ongoing coaching; training and enforcement must continue, including strong, clear, ongoing communication about the need for the change, status of the change, and solicitation of organization members’ continuing input to the change effort.

A lot of training is required prior to start-up (using the new technology and work processes in simulations). Training early allows employees to build greater skills and confidence which in turn reduces stress and resistance. In addition to understanding the new technology or process, managers need to be trained on the skills that will help them manage resistance to the change initiatives. Skills that can help managers “manage change” include: team building, coaching, feedback, setting

priorities, negotiating priorities, stress management, dealing with conflict, systematic problem-solving and effective delegation.

3.4 Assessing the Impact

Significant organizational changes could disrupt the work lives of numerous individuals. When the impact of change is measured, it will reduce the resistance that could undermine the change plans. The impact of change could be on specific individuals or departments. In assessing the impact of any change, the following five-step process is recommended:

- i. Identify stakeholders that could be impacted by the change
- ii. Document the stakeholder concerns or issues. This can be accomplished through interviews or by discussions with stakeholders who are members of your change team.
- iii. Prioritize issues according to level of concern
- iv. Create a time-line for resolving issues
- v. Resolve issues through members of the change team where possible.

SELF ASSESSMENT EXERCISE

State and explain the responsibilities of the parties that should be involved in effecting changes in an organization.

4.0 CONCLUSION

Matters of power and politics are very important to recognize and manage during organizational change activities. Change often means shifts in power across management levels, functions and groups. To be successful, the change effort must recruit the support of all key power players. For example, senior management, subject matter experts and others who are recognized as having strong expertise and integrity. A strong mechanism for ensuring alignment of power with the change effort is to develop a network of power-players who interact and count on each other to support and guide the change effort. Means to manage power can include ensuring that all power-players are involved in recognizing the need for change, developing the vision and methods to achieve the vision, and organization-wide communication about the status of change. Any recommendations or concerns expressed by those in power must be promptly recognized and worked through.

5.0 SUMMARY

In this unit we have discussed the keys to implementing successful organizational change. These keys include: determining readiness for change; gaining commitment and support; managing transition and training and; assessing the impact. Research has indicated

that assessing the impact of your change effort will shorten implementation time, increase acceptance and enhance the career of the change manager.

6.0 TUTOR-MARKED ASSIGNMENT

1. In your own words define organizational change
2. Explain the various keys to implementing successful organizational change
3. What are the factors that will determine readiness for organizational change
4. Explain the importance of training in organizational change

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Module 3

Unit 1 Contingency and Multi-Contingency
Theories of Organizational Design

Unit 2 Design Dynamics: Managing Change
and Multi Organizations

Unit 3 Incentives in an Organization

Unit 4 Internal Marketing in Organization

Unit 5 Developing Organizational Chart
(process and people)

UNIT1 CONTINGENCY AND MULTI-CONTINGENCY THEORIES OF ORGANIZATIONAL DESIGN

- 1.0 Introduction
- 2.0 Objective
- 3.0 Contingency Theory of Organizational Design
 - 3.1 Characteristics of Contingency Theory
 - 3.2 Multi-Contingency Theories of Organizational Design
 - 3.3 Contingency Theory and Significance to Organizational Behavior
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References/Further Readings

1.0 Introduction

Contingency school of thought dates back to 1960s. Contingency theory is the application of management principles and processes as dictated by the unique characteristics of each situation. In other words, organizational designs that managers in organizations choose are contingent or rather dependent on the characteristics of the internal and external environment in which the organization operates. This theory is premised on the belief that there cannot be universal guidelines which are generally acceptable or suitable for all situations. This agrees with the views of Selznich, (1949); Burns and Stalker (1961), Woodward (1965); Lawrence and Lorsch (1967). Contingency theories (CT) contend that there is no one best way of organizing or leading and that an organizational design or leadership style that is effective in some situations may not be successful in others. The theory formulates broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. There are some factors that are crucial in the study of organizational design and the prediction of the behavior of employees at work place. These factors will be discussed. The theory also contends that different environments require different organizational relationships for optimum effectiveness, taking into account various social, legal, political, technical and economic factors. These and other relevant issues that influence contingency theory and organizational design will be discussed in this unit.

2.0 Objectives

After going through this unit, you should be able to do the following:

1. Define contingency theory;
2. Discuss contingency theory and its impacts on the organizational designs; and

3. Apply your knowledge of contingency theory to real work situation.

3.0 Contingency Theories of Organizational Design

Contingency theories (CT) are a class of behavioral theory that contends that there is no one best way of organizing or leading and that an organizational design or leadership style that is effective in some situations may not be successful in others. Contingency theory states that the most effective organizational characteristics are those that fit the contingency variables. Contingency theories of organizational design are referred to as structural contingency theory. Structural which states that organizational structure must be adaptable to each business and that each business must make moves to ensure they are operating within the most efficient structure to support the business. Contingency theory seeks to study the behavior of people at work, because the knowledge of such can help better understand the employees in a work environment as well as influence the leadership structure in the organisation. Such Knowledge can also be used to assess, manage and predict behavior of employees so that organizations can better understand how to motivate individuals. The organizational design an organization chooses often depends on size. For instance, small companies may be better suited for a centralized management system where decisions are made by a select few. In contrast, large companies may require a more spread out management structure to help executives stay in touch with the many roles and tasks within the organization. It is important for an organization to have a plan in place to guide organizational contingencies whenever it occurs. Contingency plans are an essential part of making sure the business continues to operate efficiently when faced with challenges and difficulties. Contingency theories in business often deal with staffing and structural efficiency and management. It informs that when set in motion, contingency plans can change the landscape of the business temporarily or permanently. Again this is contingent on the situation. It is crucial to note that contingency theory is situational in nature since there is no best way to manage or a specific approach to management. Management theory to be applied depends on the situation at hand. This is because the rules are not static, they are subject to change. Contingency theory is dynamic and democratic. Conflict is unavoidable but is manageable. The management style to be used in each situation is contingent on the various aspects of the environment. It should also be noted that managers use other viewpoints to solve problems emanating from the individuals in the organisation, external environment and technology.

Morgan, (2007) in his contribution, described the main ideas underlying contingency theory as follows;

1. Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances.
2. There is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with.
3. Management must be concerned, above all else, with achieving alignments and good fits.
4. Different types or species of organizations are needed in different types of environments.

5. Contingency model of leadership in organizations focuses on the relationship between leadership style and the favorableness of the situation.

Fiedler (1964) described Situational favorableness in terms of three empirically derived dimensions:

1. Leader-member relationship – high if the leader is generally accepted and respected by followers
2. Degree of task structure – high if the task is very structured
3. Leader's position power – high if a great deal of authority and power are formally attributed to the leader's position.

Situations are favorable to the leader if all three of these dimensions are high.

A variety of factors, referred to as contingency factors, influence structural contingency decisions and plans. These factors include:

1. Internal Influences

Internal contingency factors are those that occur within the walls of the organization. Examples include job tasks and organizational size. Structural contingency plans can be affected by how tasks are performed and the number of employees needed to operate the company efficiently. For instance, the introduction of new technology can lead to changes in the way tasks are completed and thus effect the number of employees needed to accomplish those tasks.

2. External Influences

External factors are those that influence how the organization fits within, and adapts to, the surrounding business environment. The best way to organize depends on the nature of the environment to which the organisation must relate. Typically, external factors indirectly shape the organizational structure through their interactions with and effects on internal contingency factors and influences. Such external factors are economic uncertainty, change in competition and shifts in consumer preferences.Environment is categorized with respect to uncertainty, equivocality, complexity, and hostility.Scott, (1981) also ascribed the best way to organize as dependent on the nature of the environment to which the organization must relate. The works of other researchers including Paul L. and Lorsch J. (1976) complement this statement.

3.1 Characteristics of Contingency Theory

1. The characteristics of the external environment affect an organization's ability to obtain resources.
2. To maximize the possibility of acquiring the scarce resources, management must allow an organization's departments to perform in ways most likely to enable them obtain the resources
3. A mechanistic structure is ideal for organizations in stable environments (Theory X assumptions); or

4. An organic structure for organizations is ideal for organizations in changing environments (Theory Y assumptions)
5. There is no one best way to organize or manage.
6. Organizational structure depends on the environment in which an organization operates

Examples of characteristics of the external environment include:

- a. Changes in the environment.
- b. The entry of new competitors.
- c. Unstable economic conditions.

Diagram of Contingency Theory of Organizational Design



Source: Contingency Theory (n.a) by Stacy Howell-Pereira, James Kanelidis, Giovanni Olaya, Manny Pozo, Chris Sche.

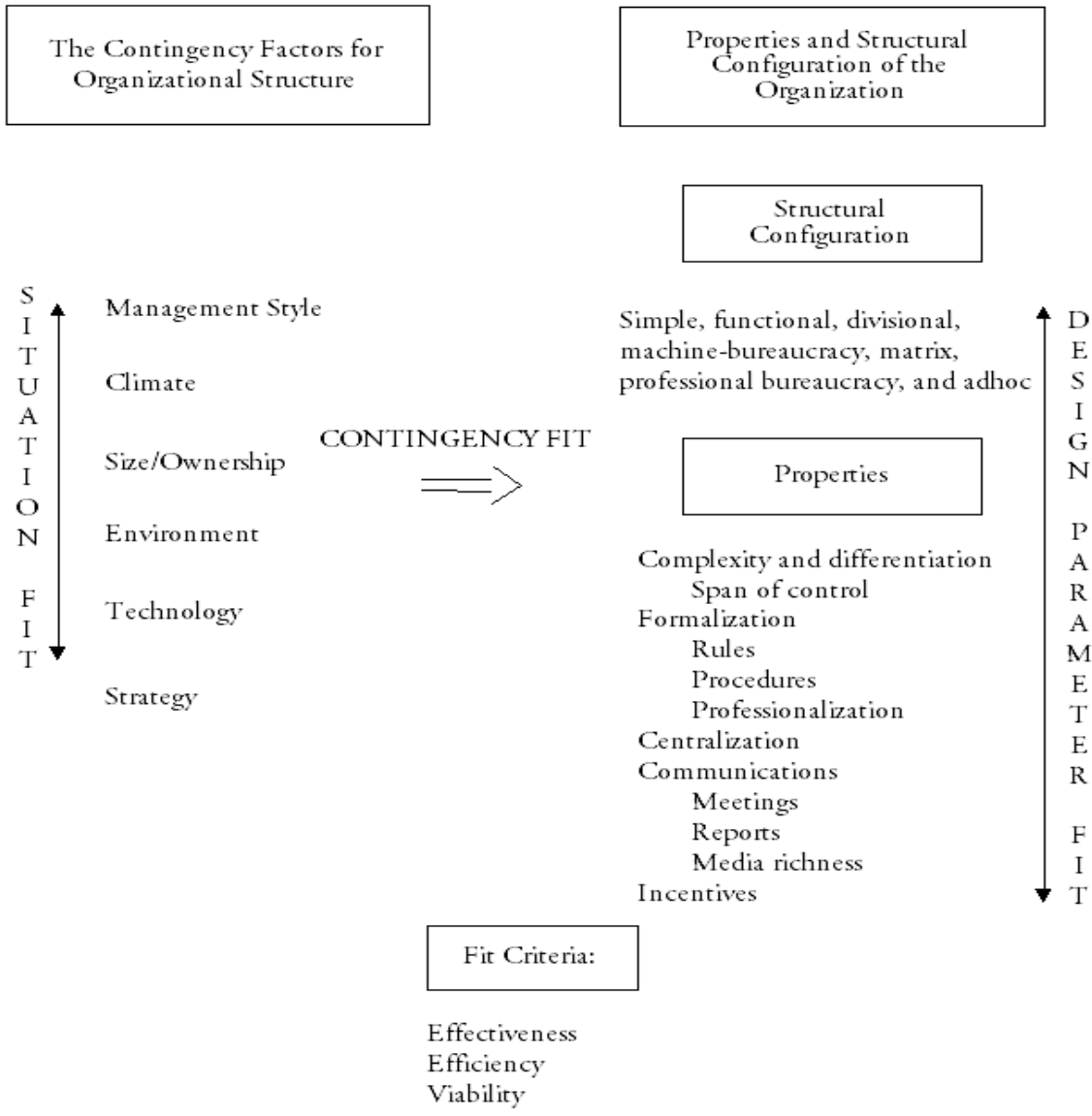
3.2 The Multi-dimensional Contingency Model

This is a systems model, which incorporates a simultaneous multidimensional concept of fit. Baligh, et al (1996) and Burton and Obel (1998) developed a multi-dimensional contingency approach that relates to organizational size, climate, strategy, technology, environment, and leadership preferences to organizational structure and design to assure an efficient, effective and viable organization. Burton and Obel (1998) also developed four types of fit: Situational Fit, Contingency Fit, Design Parameter Fit, and Total Fit. According to them, situational fit tries to align the design with the situation or the factors. They argue that the firm's environmental,

technological, strategic, and management situations are aligned and that contingency fit is the traditional fit notion among the multiple variables in the organizational design and a set of contingency factors. They opined that design parameter fit has the internal consistency among the structural dimensions and that Total fit is simultaneous realization of these three fit criteria and is obtainable if no misfit exists.

An organizational misfit is a condition where the organization performs less well than it could, due to the misalignment. Misfit is a complement concept to fit; one implies the other, at least in part. Fit is a statement of what has been found to work well and an ideal of what should be; a misfit is a statement of what is not likely to work well, and should be fixed. Misfits relations are complement relations, i.e., fit notions contain implicit misfit notions. E.g., a fit statement that a routine technology fits with a defender strategy is a complement statement to a routine technology is not a good choice for a prospector strategy. Similarly, procedural-based incentives fit well with a bureaucracy, where results-based incentives are not a good choice for a highly formalized organization.

The multi-dimensional contingency model (adapted)



Woodward (1958), argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority, and the formalization of rules and procedures. Some other important contingencies for organisations are:

- Technology
- Suppliers and distributors
- Consumer interest groups
- Customers and competitors
- Government
- Unions

3.2 Contingency Theory and Significance to Organizational Behavior

The contingency theory focuses on specific situational factors which can affect the direct relationships between independent and dependent variables. The theory explains that there is not an exact science to organizational behavior. There is no one best way to structure a corporation and solve employee problems. It all depends on the situation.

The contingency theory explains that there are specific situational factors that can affect the direct relationships between independent and dependent variables in the study of organizational behavior. Independent variables (x) are the cause of the change in the dependent variable, while dependent variables (y) are a response affected by an independent variable. There is no one best way to structure a corporation and solve employee problems. It all depends on the situation. Companies need to use trial and error to see what variables provide the results needed.

Motivation and leadership are just two examples of many independent variables of the contingency theory, while productivity, turnover and absenteeism are some examples of dependent variables.

Dependent Variables:

Dependent variables are affected by independent variables. For instance management wants to know what can affect worker productivity, turnover, absenteeism and job satisfaction. They would like to find out ways to make workers increase their daily productivity in the work place. Management also would like to decrease employees' turnover, or workers quitting or leaving for other positions. Lastly, many workers are constantly absent due to calling out sick. The end result is that organisation would like to improve workers' job satisfaction so that the institution keeps up with increased productivity and professionalism. According to the contingency theory, independent variables will help improve the problems that organization is facing.

Independent Variables

What can cause the change in the dependent variables? What can help organisations improve worker productivity, turnover and absenteeism? The answer is independent variables. Variables such as educational training, motivation techniques, communication skills, group work teams, stress reduction programs, human resource policies and flexible organizational structures can all affect dependent variables within a company.

4.0 CONCLUSION

Contingency theory tries to understand the interrelationship between and amongst organizational processes as well as between the organisation as an entity and its environment. It emphasizes the multifarious nature of organisations and attempts to interpret and understand how they operate under varying situations. It also tries to aid managers by suggesting that the organisation designs strategies which have the highest probability of succeeding in a specific situation. The situation fit and contingency fit were discussed. It holds that the most effective organizational structural design is where the structure fits the contingencies. Each is important, but depends on each other, so the effect of obtaining a fit in one dimension may be hampered by the other. Thus firms with

total fit will perform better than firms with misfits. It suggests that managers have mixed environmental circumstances which have to be taken into consideration too.

5.0 SUMMARY

We have seen that Contingency theory does not support any particular design in an organisation. Rather it encourages managers to explore many variables that are relevant and select the design mix that is appropriate in a given situation or environment. It advocates the use of different models for different situations provided they fit. This view is also known as the situational approach. The major tenet of contingency theory in organization is to find methods to help managers improve the ways they use organizational resources and compete successfully in the global environment. The challenge is to design and re-design the organization for continuing changes in markets, products, products and information technology. Contingency theory presently provides a major framework for organizational design.

6.0 TUTOR MARKED ASSIGNMENTS

1. [What are the characteristics of Contingency theory?](#)
2. [Why is the relationship between contingency theory and organizational design?](#)
3. [What are the major tenets of contingency theory?](#)

7.0 REFERENCES/FURTHER READING

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UNIT 2 DESIGN DYNAMICS: MANAGING CHANGE AND MULTI-ORGANIZATIONS

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Content

 3.1 Understanding Design Dynamics and Organizational Design

 3.2 Drivers of Change

 3.3 Approaches for Managing Change

 3.4 Resistance to Change

 3.4.1 Tactics for Dealing with Resistance to Change

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Readings

1.0 INTRODUCTION

This unit discusses the changing nature of the organizations – the structures, the strategies, plans, policies as well as skills and abilities in organizations. Today, we live in a fast, furious and turbulent world which requires organizations and their members to undergo dynamic changes in order to have a competitive advantage in the world of business. If the global economy is perfectly static; and organizations and their employees with their skills and abilities are up to date, then organizational change will be of no value to managers who are considered to be the primary change agents in most organizations. This unit is designed to enlighten you on the contemporary change issues for today's managers such as; the drivers of change, the different approaches for managing change, resistance to change and the tactics for dealing with resistance to change. However, before we will go deep into these afore mentioned topics, we will first of all try to understand what we mean by design dynamics and or Organizational design. So if you are

ready for an interesting study on organizational change and managing the change, let's get started!

2.0 OBJECTIVES

By the end of this unit, you should be able to:

1. Explain the terms, 'Design Dynamics' and 'Organizational Design';
2. Describe the drivers of change or forces that bring about change;
3. Identify the different approaches for managing change;
4. Discuss the main sources of resistance to change; and
5. Explain the main tactics used for dealing with resistance to change.

3.0 MAIN CONTENT

3.1 Understanding Design Dynamics and Organizational Design

Design Dynamics may be referred to as a general purpose framework for describing change producing forces which tend to produce activity and change in any situation, be it business, economy, environment and all other social mechanism. However, in this particular situation, we are interested in describing those forces that produce change in the organization. Therefore in the case of an organization, Design Dynamics attempts to illustrate the complex interplay or relationship between the tangible aspects of the organization- the resources which include, man, machines, money and materials (the 'four Ms' of Management) and the intangible aspects of the Organization such as culture, policies, processes, strategies and structure.

Business Dictionary refers to **Organizational Design** as the manner in which management achieves the right combination of differentiation and integration of the organization's operations in response to the level of uncertainty in its external environment.

Differentiation here means the subdivision of functional or departmental unit, with each unit concentrating on a particular aspect of the organization's operations; while **Integration** refers to the linking of differentiated units to achieve unity of efforts in working towards organizational goals.

Organization is composed of four interlocking systems namely:

- **The technical system**- this makes up for the primary productive axis of the organization
- **The Social System** – this refers to the people in the organization and their activities
- **The Administrative System**- this refers to the administrative policies, systems and procedures used in operating the organization
- **Strategic System** – this performs the steering function of the organization.

3.2 Drivers of Change

No organization can exist in isolation from the external environment, which includes the natural environment, the government policies, trade systems, technological environment and cultural beliefs. In today's global economy, organizations have been undergoing significant and continuous change in response to the demands of the changing customer, the changing workforce and the changing world with the significant competition. As more and more organizations today face a dynamic and changing environment, they have no choice but to adapt to changes or they will be left behind and finally become extinct. According Coates (2015) organizational change is one of the drivers of disruption in the work place and without disrupting the organization; there can never be a change.

Robbins, Judge, Millet and Waters-Marsh (2008) identified six drivers or forces that bring about change and these are:

i. The Nature of the Workforce

Globalization has turned the whole world into a global village, bringing about more cultural diversity hence; almost every organization has to adjust to a multicultural environment. Human resource policies and practices have to change to reflect the needs of an ageing workforce. Organizations have to spend large amounts of money on training to upgrade the knowledge and skills of employees.

ii. Technology

Organizations and jobs are changing with recent changes in technological development. There are faster, cheaper and more mobile computers, mobile phones, I pads, Tabs and so on, all of which have in one way or the other enhanced business efficiency. The internet with several networks is reshaping the multi- organizations in the global economy. Individuals and organizations several miles apart can transact

businesses via the internet seamlessly. There is on-line trading, internet banking, on line music sharing and more recently, online interpretation of the human genetic code (DNA).

iii. Economic Shocks

We live in an age of discontinuity and unexpected happenings. If you look around you, or listen to news on TV/ Radio, or read Newspapers, you will learn of unexpected happenings all around the world, such as outbreak of new world diseases for example Ebola, hurricanes and landslides, terrorism (Boko Harams, etc) and so on. These unexpected happenings, be they social, physical or political have a negative impact on the economy.

Economic shocks have continued to impose changes on organizations. Increases in oil prices, increases in foreign exchange rates, the crashing of the capital markets, the economic instability in the labour market, the manipulation of earnings, conflicts of interest among firms and their auditors and generally financial impact from corporate collapses and the global competitors all constitute economic shocks which bring about changes in organizations.

iv. Competition

In the process of change, some organizations will make money while some others may lose money. Successful organizations will be those that are fast on their feet, capable of developing new products rapidly and sending them to market quickly. They will have to rely on short production runs, short product cycles, and ongoing stream of new products. This calls for some focus and flexibility not just on the production strategies but also some great amount of flexibility and responsiveness from the work force. It is the combination of all these factors that bring about business efficiency for an organization to gain competitive advantage in the world of business. Heightened competition is a driver of change as it makes it necessary for organizations to sit up and defend themselves against the already established organizations that develop new products, and the small emerging entrepreneurial firms with innovative presentations.

v. Social Trends

Social trends are hardly static. People are meeting and sharing information via the internet. Fashion and style are constantly changing and so are economic activities. With the rise in discount retailers, consumers are increasingly doing shopping with ease and less hassles via the internet and at large discount warehouses. All they need to do is to sit in the comfort of their homes or offices and place their orders via the internet and have the goods delivered to them, while freely choosing their mode of payment. Thus the world has become a global market place. This was not so 10 to 15 years ago in Nigeria.

vi. World Politics

In recent years, most of the world politics had degenerated to outright war. The chaos in Ukraine, Syria, Egypt, etc; (you can go on and give as many examples as possible) the suicide bombings in the Middle East, the suicide bombing as well as terrorism in North East of Nigeria and so on. All of these have led to changes in businesses practices, leading to the creation of backup systems, employee security as well as post- terrorist- attack anxiety.

SELF-ASSESSMENT EXERCISE 1

Describe two drivers of change in today's global organization

Answer

i. Economic Shocks

We live in an age of discontinuity and unexpected happenings. Economic shocks have continued to impose changes on organizations. Increases in oil prices, increases in foreign exchange rates, the crashing of the capital markets, the economic instability in the labour market, the manipulation of earnings, etc., all bring about changes in the organization.

(**Note:** you are expected to explain further, stating salient points and citing examples)

ii. Technology

Organizations and jobs are changing with recent changes in technological development. There are faster, cheaper and more mobile computers, mobile phones, I pads, Tabs and so on, all of which have in one way or the other enhanced business efficiency.

(Note: you are expected to explain further, stating salient points and citing examples)

3.3 Approaches for Managing Change

There are several approaches to managing change and these include **Kurt Lewin's** Classic Three-step Model of Change Process, Kotter's Eight Step Plan, Action Research and Organizational Development (Robbins et al, 2008).

i. Lewin's Three- Step Model

Lewin is of the view that successful change in organizations should follow three steps, referred to as **Lewin's three-step change model**, refer to figure 1 below



Figure 1. Lewin's three- step change model (Robbins et al, 2008)

- **Unfreezing the Status quo** – The status quo can be considered to be an equilibrium state. Unfreezing is therefore the change effort necessary to move from this equilibrium, which is by overcoming the pressures of both individual resistance and group conformity. Those driving forces which direct behavior away from the status quo can be increased, while the restraining

forces which hinder movement from the existing equilibrium can be decreased.

- **Movement to a Desired End State**—The movement refers to the change process that transforms the organization from the status quo to a desired end state. Research on organizational change has shown that for organizational change to be effective, it has to happen quickly. Organizations that get to and go through that movement stage quickly do much better than those that build up to change.
- **Refreezing the New Change to make it Permanent**—Refreezing entails stabilizing a change intervention by balancing driving and restraining forces. Once a consolidation change has been implemented, if it is to be successful, the new situation has to be refrozen so that it can be sustained over time. If this is not done, there is a very high chance that the change will be short-lived and the employees will attempt to revert to the previous equilibrium state.

ii. Kotter’s Eight –Step Plan For Implementing Change

John Kotter built on Lewin’s three step model to create a more detailed approach to implementing change. Kotter began first by listing some common mistakes that managers make when trying to initiate change and these mistakes include:

- Inability to create a sense of urgency
- Failure to create a coalition for managing the change process
- The absence of a vision for the change and to effectively communicate that vision
- Failure to remove obstacles that could impede the achievement of the vision
- Failure to provide short-term and achievable goals
- The tendency to declare victory too soon, and
- Not anchoring the changes into the organization’s culture.

Having identified these mistakes, Kotter then established **eight sequential** steps to overcome these problems and the steps are listed in the table below:

Steps	Actions to be taken
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1	Establish a sense of urgency by creating a compelling reason for why change is needed
2	Form a coalition with enough power to lead the change
3	Create a new vision to direct the change and strategies for achieving the vision
4	Communicate the vision throughout the organization
5	Empower others to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving
6	Plan for, create and reward short-term 'wins' that move the organization towards the new vision
7	Consolidate improvements, reassess changes and make necessary adjustments in the new programs
8	Reinforce the changes by demonstrating the relationship between new behaviours and organization

Note: From this table, steps 1-4 summarize Lewin's unfreezing stage, while steps 5-7, represent the movement stage and step 8 represents the refreezing stage.

iii. Action Research

This refers to a change process based on systematic collection of data and then selection of a change action based on what the analysed data indicate. Its importance is based on the fact that it provides a scientific methodology for managing planned change. The process of action research consists of five steps namely:

- **Diagnosis-** At this stage, the change agent or the consultant begins by gathering information about problems, concerns and the needed changes from members of the organization.
- **Analysis** – At this stage, the information gathered are synthesized into primary concerns, problem areas and problem concerns
- **Feedback** – This requires sharing with employees what has been found from steps or stages 1 and 2 and the employees with the help of the change agents develop action plans.

- **Action** - when the action part of the action research is set in motion, the employees and the change agents carry out the specific actions to correct the problems that have been identified
- **Evaluation**- the final stage is the evaluation of the action plan's effectiveness.

iv. Organizational Development

Organizational Development (OD) is an all-embracing term used to refer to a collection of planned –change interventions built on humanistic-democratic values that seek to improve organizational effectiveness and employee well-being.

The Organizational Development Model or theory values human and organizational growth, collaborative and participative processes and a spirit of inquiry. Though the change agent may be directive but there is strong emphasis on collaboration. Some of the underlying values in Organizational development efforts include:

- **Respect for people** – individuals are perceived to be responsible, hence they should be treated with dignity and respect
- **Trust and support** – The effective organization is characterized by trust, authenticity, openness and a supportive climate.
- **Confrontation** – Problems should be openly confronted
- **Participation** –The more those who will be affected by the change are involved in the decisions surrounding that change, the more they will be committed to the implementation of those decisions.

SELF-ASSESSMENT EXERCISE 11

Why is action research, one of the approaches to managing change considered to be important?

Answer

Action Research, which is one of the approaches to managing change, is considered important because it provides a scientific methodology of diagnosis, analysis, feedback, action and evaluation for managing planned change. It allows the change agents to objectively look at the problems to determine the type of change action.

3.4 Resistance to Change

There is always the tendency for individuals as well as organizations to resist change. This is considered to be normal as well as positive as it provides a degree of stability and predictability to behavior. Resistance to change does really manifest in a regular or fixed pattern. Resistance may be overt, implicit, immediate or deferred. It is easiest for management to deal with resistance to change when it is overt and immediate i.e. when employees quickly respond by voicing complaints, engaging in a work showdown or threatening to go on strike when a change is proposed. It is even more challenging to manage resistance that is implicit and deferred. These implicit resistant efforts are indirect and difficult to recognize but they however manifest in the form of loss of loyalty to the organization, loss of motivation to work, increased errors or mistakes and increased absenteeism due to sickness. Resistance to change can be both from the individual and the organization.

Individual Sources include:

- **Habits**- old habits die hard, they say. When People are set in their ways, they will naturally resist when confronted with change.
- **Security** – people with high need of security tend to resist change because it threatens their feeling of safety.
- **Economic Factors**- changes in job tasks or routine can induce economic fears especially if pay is tied to performance and those who are concerned about their inability to perform the task will resist change
- **Fear of unknown** – the fear of unknown may also lead to resistance to change
- **Selective Information Processing**- Individuals tend to choose what they want to hear and ignore information that may challenge the world they have created for themselves.

Organizational Sources include:

- **Threat to expertise**- changes in organizational pattern may threaten the expertise of specialized groups.
- **Group Inertia**- Individuals may want to change but group norms may act as a constraint

- **Limited focus of change-** organizations are made up of different interrelated systems. Limited changes in sub systems tend to be nullified by the larger system.
- **Threat to Established Power Relationships-** any re organization of decision making authority can threaten long established power relationships.
- **Threat to Established Resource Allocation-** groups in the organizations that control sizeable resources see change as a threat.

3.4.1 Tactics for Overcoming Change

Poorly managed change brings about loss in productivity, moral issues, resistance and outright failure. In order to ensure that an organization's transformational initiatives are met with less resistance and achieve a greater level of buy in by leaders, managers and colleagues, the following seven tactics as suggested by change agents and cited in Robbins et al (2008) are used for dealing with resistance to change.

i. Education and Communication

Communication can reduce resistance to change in two ways; one is by helping the employees see the logic of a change, thereby fighting the effects of misinformation and poor communication. The second is by selling the need for the change and the way it is conveyed matters as change is more likely when the necessity of change is packaged properly.

ii. Participation

Prior to making a change, those opposed to the change can be brought into the decision process. Assuming that the participants are competent enough to make meaningful contribution, their involvement can reduce resistance, obtain commitment and increase the quality of the change decision.

iii. Building Support and Commitment

When employees' fear and anxiety are high, they tend to favour the status quo and resist change. Firing up employees can help them to emotionally commit to change. Change agents can offer a range of supportive efforts such as counseling and therapy, new skills training and short paid leave of absence all in order to facilitate adjustment and reduce resistance to change.

iv. Negotiation

Negotiation as a tactic may be necessary when the resistance comes from a powerful source. If the resistance is centered in a few powerful individuals, a specific reward package can be negotiated that will meet their individual needs. This may turn out to be costly at the end of the day; and again, there is the risk that once a change agent negotiates with one party to avoid resistance, he or she is open to the possibility of being blackmailed.

v. Manipulation and Cooptation

Manipulation and Cooptation compared with negotiation are relatively inexpensive ways to gain the support of adversaries even though it may backfire if the targets become aware that they are being tricked or used. Manipulation refers to covert influence attempts i.e. the twisting and distorting of facts to make them more attractive, withholding undesirable information and creating false rumours to get employees to accept change. Cooptation on the other hand is a form of both manipulation and participation, which seeks to buy off the leaders of a resistance group by giving them a key role in the change decision.

vi. Selecting People Who Accept Change

Research suggests that selecting people based on a resistance-to-change scale works well in sorting out those who tended to react emotionally to change or to be rigid. Those who take positive attitude to change, are willing to take risk and have positive self-concept are perceived to cope better with change.

vii. Coercion

This involves the application of direct threat or force on the resisters. Coercion also includes threat of transfer, loss of promotions, negative performance evaluation and a poor letter of recommendation.

4.0 CONCLUSION

In this fast, furious and turbulent world, we can conclude that change is inevitable as all over the world, individuals and organizations are trying to keep pace with the technological revolution and all the innovation it has brought in its wake, as it has practically impacted on the workforce, the economy, social trends, world politics and completion, which all together

are the key drivers of change. This then requires organizations and their members to undergo dynamic changes in order to have a competitive advantage in the world of business. If the global economy is perfectly static; and organizations and their employees with their skills and abilities are up to date, then organizational change will be of no value to managers who are considered to be the primary change agents in most organizations.

5.0 SUMMARY

We have just studied organizational change, noting that organizational change cannot happen in a vacuum. There must be drivers or forces that will bring about that change. The change has to be managed effectively. Poorly managed change brings about loss in productivity, moral issues, resistance and outright failure. We identified some approaches for effective change management. We also studied resistance to change and identified some of the organizational and individual sources of this resistance to change and finally the tactics for tackling this resistance to change.

6.0 TUTOR-MARKED ASSIGNMENTS

1. Resistance to change is considered to be normal and predictable. Why do think so?
2. Compare Lewin's three step model to managing change to Kotter's eight-step plan and identify their similarities and where they complement each other.
3. Changes can be made to foster innovation. Discuss the factors that facilitate this change.
4. As a change agent, describe how you will go about implementing your transformational initiatives so that leaders, managers and colleagues can buy into the plans?
- 5.

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UNIT 3 INCENTIVES IN AN ORGANISATION

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Conceptual Clarification of Incentives
 - 3.2 Definition of Incentive
 - 3.3. Types of Incentives
 - 3.3.1 Monetary incentives
 - 3.3.2 Non-monetary Incentives
 - 3.4 Classification of Incentives
 - 3.4.1 Individual Incentive Plans
 - 3.4.2 Group Incentive Pay Plans
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked assignment
- 7.0 References and Further readings

1.0 INTRODUCTION

Every organization provides rewards to their personnel in order to try to motivate their performance and encourage their loyalty and retention. Reward is very important to every organization. Gordner (2005) found that reward system has a strong influence on employee trust in the workplace. In order words, employee morale and other psychological variables such as trust are very fragile; when employees feel they are not being compensated fairly this can impact on their performance.

The reward system and motivating incentives will determine the level of employees' commitment and their attitude to work. Dixit and Bhati (2012) noted that poor incentives packages have been a major factor affecting employees' commitment and productivity. However, for any organization to achieve its objective in any competitive society, employers of labour must have a thorough understanding of what drives the employees to perform efficiently and reward them accordingly. Besides, employees must be motivated through adequate incentives plans and reward systems and this will invariably encourage them to be proactive and have right attitude to work, thereby promote organizational productivity. However, in a highly dynamic organization, incentives strategies are deployed by employers of labour to ensure that the best brains are retained in the best interest of the organization. Consequently, productivity can only be enhanced if the employees are well motivated through adequate incentive packages that are proportional to their performance. This unit explores incentives and how it impacts organizational design. It begins with the meaning and types of incentives. This is followed by classification of incentives and its impact on organization.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define the term “incentive”;
- Explain the types of incentives;
- Describe the classification of incentives; and
- Identify the role of incentives in an organization.

3.0 MAIN CONTENT

3.1 Conceptual Clarification of Incentive

Every organisation wants to retain capable and effective workforce hence the need for such employees to be rewarded with well defined incentives. Incentive is a powerful psychological construct that is used to change behaviour. Drawing from hundreds of studies, **Kohn** demonstrates that people actually do superior work when they are enticed with money, grades, or other incentives. An incentive is something that motivates an individual to perform an action. Adequate incentives have been found to be one of the means which organizations can adopt to motivate and increase their workers' performance. Incentive programs are put in place by various organisations to compensate and reward performance of employees who perform more than expectation (Schiller 1996). Incentive packages are financial or non-financial rewards offered to employees to compel them to exert more effort into any given task (National Commission on Productivity and Work Quality 1975).

3. 2 DEFINITION OF INCENTIVE

Incentive is a force that causes employees to behave in certain ways and on any given day. Employees may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand or to do as little as possible (Griffin, 2002). Incentives are designed to get the maximum performance from the employees and help retain the most productive among them (Arnold, 2013). Organizations can consider a variety of ways to reward the employees for their work performance, but an organization needs to consider using the best employee incentives to get the desired results.

Incentives are an instrumental drive towards employee motivation and performance and it has great benefits and high potentials to motivate workers to put in their best in any given task (Condly, Richard, & Harold, 2003). High productivity may be determined by employees' ability to work and therefore employees that are not well rewarded produce less (Koontz, 1984).

Luthans (1998) divided these incentives into monetary incentives and non-monetary incentives, also known as financial or non-financial incentives.

3.3. TYPES OF INCENTIVES

3.3.1 Monetary incentives

Monetary incentives are used by employers of labour to retain their best brains and as well compensate them for a job well done and excellence of job performance. The incentive can come in many forms: basic salary, compensation, insurance, profit sharing, retirement plans, employee stock, overtime pay, attendance incentives, competition and contests, output-oriented merit increases, performance bonuses, safety incentives, suggestion awards etc. Monetary incentive is used to describe incentive-payment plans which tie incentives directly or indirectly to productivity standard (Ubeku, 1975; Alaba & Owodunni, 2007).

3.3.2 Non-monetary Incentives

Non-monetary incentives are used to reward employees for excellent job performance through opportunities (Kepner, 2001). It usually comes in form of more enabling authority, award, participating in the management, promotion, holidays, better working environment, written recognition, gifts, formal dinners, informal parties, plaques, etc. (Awar & Mehbood, 2007).

Meanwhile, employees could be intrinsically or extrinsically motivated. Intrinsic motivation is an inward drive coming from within the person which makes him to work effectively and efficiently toward the realization of organizational goals. It arises from natural psychological needs, such as needs for competence and autonomy (Kasser & Ryan, 1996). It is a self-generated urge that comes from inside an employee and influences him/her to work harder. They are connected to job related and social incentives such as opportunity to use one's ability, interesting work, recognition of a good performance, development opportunities, a sense of challenge and

achievement, participation in decision making, and being treated in a caring and thoughtful manner etc.

On the other hand, extrinsic incentive is anything outside of one's self that one needs to obtain or acquire in order to perform certain task. This includes money, grades, or prizes etc.

3.4 CLASSIFICATION OF INCENTIVES

Incentive is a form of pay performance plan. There are two basic types of incentives:

1. Individual Incentive Plans, and
2. Group Incentive Plan.

3.4.1 Individual Incentive Plans

Individual incentive plan has been in existence over a hundred years. For example, in those days, a person loading iron in a steel mill could earn as much as ten naira per long iron when on incentive plan. As a result, a highly skilled loader could make 50 percent more money per day than an individual who was being paid a basic day rate. So individuals who were willing to work hard and had the necessary stamina could opt for incentive pay that was determined by the amount of iron they were able to load each day. Most sales people work under an individual incentive pay plan earning; for example, 10 percent commission on all sales.

Pay for some jobs is based entirely on individual incentives. However, because of the risk factor in the uncertain economy of recent years many organizations have instituted a combination payment plan in which the individual receives a guaranteed amount of money, regardless of how the person performs. So, a salesperson might be paid 10 percent of all sales with a minimum guarantee of N20, 000.00 per month. Another popular approach is to give the person a combination salary/incentive such as N20, 000 plus 5 percent of all sales.

1. The Use of Bonuses

Another common form of individual incentive pay is bonuses. The signing bonus is one of the biggest incentives for athletes, footballers and managers. Although, this bonus package can be extremely large, successful managers and individuals who can generate large accounts for a firm can also expect sizeable bonuses. In the increasingly uncertain economy, most companies are moving to bonus pay based on performance rather than fixed pay increases.

2. The Use of Stock

Another form of individual incentive pay is the stock-option plan. This plan is typically used with senior-level managers and gives them the opportunity to buy company's stock in the future at a predetermined fixed price. The basic idea behind the plan is that if the executives are successful in their efforts to increase organizational performance, the value of the company's stock will also arise.

3.4.2 GROUP INCENTIVE PAY PLANS

Organizations are increasingly aware that teams and teamwork can lead to higher productivity and better quality than do individuals working on their own. As a result, group incentive pay plans have become increasingly popular.

1. Gain-Sharing Plans

This is one of the common forms of group pay. These plans are designed to share with the group or team the net gains from productivity improvements. The logic behind these plans is that if everyone works to reduce cost and increase productivity, the organization will become more effective and have more money to reward its personnel.

2. Profit-Sharing

Another common group incentive plan is profit sharing. Although it occurs in different forms, typically some portion of the company's profits is paid into a profit-sharing pool, and this is then distributed to all employees. Sometimes, this is given to them immediately or at the end of the year. Some plans defer the profit share, put it into an escrow account and invest it for the employees until retirement. To date, research on the impact of profit sharing on performance via improved employee's attitude has been inconclusive. However, a recent study of engineering employees did find that favourable perception of profit sharing served to increase their organizational commitment (Hart & Quin, 1993).

SELF ASSESSMENT EXERCISE

1. How prevalent, especially in today's society is intrinsic incentive used in organisations?
2. Differentiate between extrinsic and intrinsic incentives.

4.0 CONCLUSION

In this unit, we have discussed conceptual meaning of incentive, its types and classification. We did also advise that individual employee is motivated by different incentives. It is important to know how they are motivated and what can satisfy them in order to encourage them to have right attitudes to work which will invariably enhance employee performance and organizational productivity. To this end, implementing well designed incentive is a sure way to reduce turnover intention and eventual turnover among the workforce.

5.0 SUMMARY

We have seen that incentive is a very important programme to retain and sustain employees in an organisation; as a matter of fact, it is an impetus for organizational growth and productivity.

Therefore, every manager should design the type of incentives needed among their workforce.

6.0 TUTOR-MARKED ASSIGNMENT

1. Explain the meaning of incentive and name its five benefits to an organization.

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UNIT 4 INTERNAL MARKETING IN ORGANIZATION

CONTENTS

- 8.0 Introduction
- 9.0 Objectives
- 10.0 Main Content
 - 3.1 Meaning of internal marketing in organizations
 - 3.2 How to develop internal marketing Plan and its implementation
 - 3.3 Tactical steps in internal marketing
 - 3.4 Managerial influence on internal markets
 - 3.5 Employees' influences on internal markets
 - 3.6 Organizational relevance of internal marketing
- 11.0 Conclusion
- 12.0 Summary
- 13.0 Tutor-marked Assignment
- 14.0 References/Further reading

INTRODUCTION

Conventionally, the role of marketing in an organization is focused externally on the needs of customers. External marketing is marketing effort directed at people outside the organization. However, it is not enough to have customer-conscious employees for effective service delivery but also important to design and maintain a synergy between the various functions in the organization. Nowadays, marketing involves designing enduring relationships with people and organizations that could directly or indirectly affect the success of the organization. Internal marketing being a contemporary concept in marketing is a tool that helps organizations initiate integration between various functions to enable employees to work across functional borders, to align them with external customers' needs and expectations in accordance with the organization's mission, strategies and goals.

You have to know that internal marketing concept expresses the idea that since employees attitude play a central role in determining customer based service quality perceptions; active management of employees must see it as an issue of paramount importance. This perception

leads to the principle that an organization must first win the hearts and minds of its employees before it launches any external marketing campaign. Internal marketing must be ahead of external marketing (Kotler & Armstrong, 1999).

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- State the meaning of internal marketing;
- Describe how internal marketing plans are developed and implemented;
- Outline the tactical steps in internal marketing in organizations;
- Identify and explain both managerial and employees' influences on internal marketing; and
- Outline the organisational relevance of internal marketing.

3.0 MAIN CONTENT

3.1 The Meaning of Internal Marketing

Scholars have variously given their perceptions about the theoretical construct of 'internal marketing'. Some of these conceptual underpinnings are highlighted below.

Varey (1995) viewed internal marketing as the concept of marketing in the internal environment of an organisation.

Rafiq and Ahmed (2000) conceptualised internal marketing as an organised attempt using a market-like approach in order to cope with the organisational resistances to changes and balance, motivate and coordinate the employees in line with efficient execution of strategies with the aim of customer satisfaction through the process of creating motivated customer oriented employees.

Lancaster et al (2002) saw internal marketing as any form of marketing in an organisation which focuses staff attention on internal activities that need to be changed in order to enhance external marketplace.

Kotler and Keller (2009) espoused that internal marketing involves the task of hiring, training, and motivating able employees who want to serve customers well. The authors stressed that internal marketing requires vertical alignment with senior management and horizontal alignment with other departments, so everyone understands, appreciates, and supports the marketing efforts in an organisation.

You should understand that according to the authors that internal marketing remains a strategy through which marketing philosophy and principles are applied to people whose task is to serve the external customers. You should also note that the purpose for which internal marketing is actually embarked upon is to employ and retain the best possible personnel while they perform the best possible work.

3.2 How to develop internal marketing Plan and its implementation

The best way to conduct effective internal marketing is to create a comprehensive plan. It involves creating persuasive and informative messages that resonate with every department and employee within an organisation. Internal marketing is based on the idea that customers' attitudes towards an organisation are based on the entire experiences with that organisation and not just their experiences with company's products or services. Internal marketing is one of the most complicated forms of marketing. Marketing communications is the most tangible aspect of the internal market mix and represent the communication methods used to inform and persuade internal customers to change. These are not restricted to visible and written communication but also rely on listening, feedback and approval of suggestions. Distribution refers to the ways the product and communications are delivered to the internal market. It can be in the meetings or workshops, but the most potent way to distribute the message is through culture and processes. As in traditional marketing, marketing research is used to determine the needs and expectations of the internal market. Employee morale is mostly affected by how much he/she knows about the organization's plans. A business marketer can develop a really hot system to market their product, but if they have not taken time to build in an employee communications plan, the marketing effort will be useless.

3.3 Tactical steps in internal marketing

The various tactics of internal marketing in organizations include the following

- Identify every area where the organization comes into contact with the market place
- Allow top performers to provide feedback on internal marketing and Human Capital issues
- Use new letters or in-house radio programs to spread information and reinforce organization design
- Make the marketing strategy a feature of employee training programs
- Provide access to information as frequently as possible
- Create performance based incentives
- Provide comprehensive and ongoing training programs for employees at all levels
- Position the brand as part of a narrative that employees can relate to and participate in
- Use technological tools like blogs, message boards, and wikis to spread information
- Tailor internal marketing messages to each department, for example messages to salespeople should be different from messages to Finance department staff
- Highlight success like new contracts awarded and organisational targets achieved.

- Encourage collaboration between departments

3.4 Managerial Influence on internal markets

In most organizations the management design of the traditional market is a top-down hierarchical structure. Top management makes the major decisions and consequently the participation of managers at operating levels of an organization is involved. Top-down management provides a temporary solution but the increasing emerging global challenges in the business world need the input of all employees to capture the competitive markets. The service economy demands dynamic organizations which initiate creativity and innovations. Organizations are faced with the challenging task of designing organizational structures that permit spontaneous participation from employees, but at the same time maintain management control.

The need for knowledge input into an organization is crucial, therefore it becomes paramount for organizations to realize that the real knowledge base does not exclusively lie with top management but is spread out among employees, customers, suppliers, communities of practice and other stakeholders. The focus of the organizations' communication strategy must shift from top to bottom and there is need for organizations to consciously develop and design internal market processes that give rise to bottom-up, side-to-side as well as top-down communication to spur employees to share their knowledge with the organization. Organizations which embrace the idea of an internal market need to provide leadership to foster collaborative synergy.

Managers play an important role in the guidance of an internal market by designing economic infrastructures and setting policies to regulate the system, resolve critical issues, share valuable knowledge and encourage co-operative strategies. All of these components create synergy that adds value to internal and external markets in organizations. Management must provide the leadership to guide internal markets by encouraging the development of various creative and innovative strategies. They must support self-managed units and provide leadership that will unify diverse organizational interests. Leadership roles must focus on the assurance of unit accountability, conflict resolution, and the formation of alliances as well as motivating, and inspiring workers. An internal market is a vehicle for reaching common goals that are more effective to the organization.

3.5 Employees' Influences on internal markets

The philosophy of internal marketing connotes that employees are counted as internal customers. The ability of management to influence and satisfy the needs of other employees inside the organizations precedes external customer satisfaction. If internal customer relationships are successful, the outcome will create satisfied or delighted external customers. The internal market must support and nurture the development of an internal social system with its own culture that stresses individual initiative, embraces change and supports employees. This social system should be enforced in the minds of employees and they must clearly understand that it is a shared idea as opposed to being part of policies and procedures. The objective of the internal market is to buy and sell between individual units within the organization and create healthy competition between the different units.

Four categories of employees within the internal market are identified according to the degree and type of contact they have with external customers. The categories are contactors, modifiers, influencers and solitaires. Contactors are the employees who frequently or periodically have direct contact with external customers. Modifiers have less frequent or periodic direct customer contact and usually the contact is not face-to-face. Influencers are the employees who traditionally have no direct contact with customers although they are involved in making decisions that will influence customer contact. The solitaires are those employees who are isolated from all contact with customers.

Although the contactors are responsible for service delivery, it is clear that they are not the only employees involved in the service delivery. Their ability to function effectively depends on the support they receive from within the internal market. Although the modifiers, influencers and solitaires have very little or no direct contact with external customers they directly influence the service that is provided to customers. Internal marketing is a tool that can be used in the internal market to develop and maintain modifiers, influencers and solitaires as service-minded and customer-conscious employees. Internal marketing will help them to understand their responsibilities towards the customers and how their contribution affects customers' satisfaction and organizational success.

3.6 Organizational relevance of Internal Marketing

The practice of internal marketing is beneficial to organisations in the following ways:

- It encourages employees in every department of the organisation to perform better
- It creates a common understanding of organisational goals and strategies
- It places value on the employees contribution to the organisation
- It increases employee morale and motivation
- It helps non marketing staff to do their jobs with a marketing focus in mind
- It improves employee development and customer retention
- It integrates organizational culture with the employees personal and professional needs
- It allows different departments to coordinate and cooperate effectively
- It enhances effective information flow between different departments
- It makes it easier for employees to understand the expectations placed on them

4.0 CONCLUSION

In this unit, we have learnt that while external marketing is directed at people outside the organization, internal marketing is the task of hiring, training and motivating able employees to serve customers well. Internal markets must ensure that all employees realize the importance of their roles in creating successful customer service.

The success of internal markets depends on employees, careful consideration therefore must be given to recruitment of employees and selection of the employees who are able to perform their jobs effectively as well as fit into the organizational culture and the induction of the newly recruited employees into the internal marketplace. The influence of managers in the internal

market is vital. They should provide good leadership and motivate employees to reach the goals and objectives of the organization.

Organizations must be designed to produce and embrace continual, rapid structural changes that improve the competitive advantage of the organization. Internal markets must be seen as constantly changing both in structures and processes that transcend ordinary designs of organizations. The internal market must continuously be monitored and corrective changes should be implemented as soon as possible after the discovery of any observed lapses in the system. Management must understand that employees within the internal markets are essential to the success of the organizations because organizations which wish to excel externally must excel internally.

5.0 SUMMARY

In this study unit, we have discussed the following topics:

- The meaning of internal marketing
- How internal marketing plans are developed and implemented
- The tactical steps in internal marketing in organizations
- The various managerial and employees' influences on internal marketing
- The organizational relevance of internal marketing

6.0 TUTOR-MARKED ASSIGNMENT

- i. Define internal marketing according to two different authors
- ii. Outline the tactical steps in internal marketing
- iii. State five ways in which internal marketing is beneficial to organizations

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UNIT 5: DEVELOPING ORGANIZATIONAL CHARTS (PROCESS AND PEOPLE)

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 The meaning of organizational chart and the reporting relationships

3.2 Key Organizational design Processes

3.3 The communication process in organizations

3.4 Important factors to be considered in developing organizational charts

3.5 Approaches to developing organizational structures

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 References/further reading

1.0 INTRODUCTION

An organizational chart is critical to effective management of an organization. It shows the reporting relationships in an organization and aids the communication process within the organization. In this unit, we shall discuss the meaning of organizational chart, and the reporting relationships in organizations. We shall also consider the communication processes in organizations-downward communication, upward communication, lateral communication and informal communication in organizations. Next, we shall consider important factors to be considered in the development of organizational charts and lastly we shall discuss approaches to developing organizational structures.

2.0 OBJECTIVES

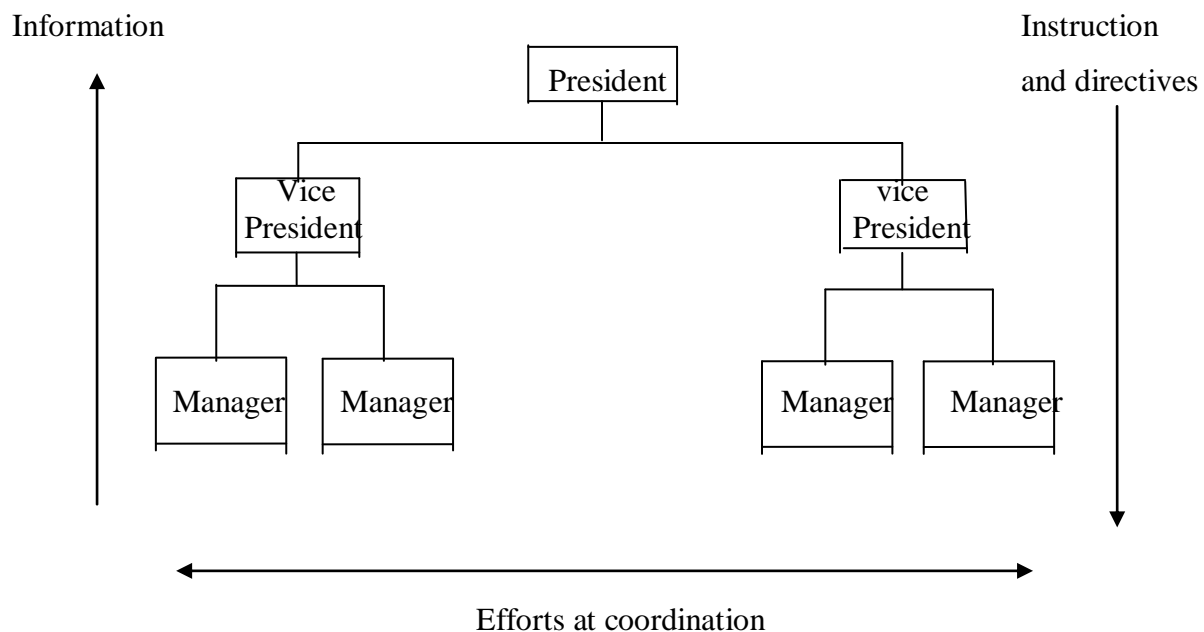
At the end of this unit, you will be able to explain:

- The meaning of organizational chart and the reporting relationships;
- Key organizational design processes;
- The communication process in organizations;
- Important factors to be considered in developing organizational charts; and
- Approaches to developing organizational structures.

3.1 THE MEANING OF ORGANIZATIONAL CHART

An organizational chart is the linking of departments and jobs within an organization. It is a diagram that shows the formal structure of an organization, indicating the reporting relationships. An organizational chart can be likened to an X-ray showing the organization's skeleton, an outline of the planned, formal connections between individuals in various departments. The diagram below shows a typical organizational chart

An organizational Chart showing the titles of the individuals and the reporting relationships,



Source Greenberg J & Baroon A.R (2008) Behavior in Organizations, New Jersey, Prentice Hall P350

As you can see, the various boxes in the diagram show the positions of the individuals in the organization and the lines connecting them. The boxes represent the individuals performing specific jobs, titles of the individuals and the formally prescribed pattern of communication between them. In a typical organization, jobs are well defined and each person is responsible for performing a particular job.

It should be noted that the various lines connecting the boxes in the organizational chart are lines of authority showing the reporting system. This is the reporting relationships. An individual is responsible to or answers the person at the next higher level to which he or she is connected. In the same way, individuals are also responsible for or give order to those who are lower than them in the organization. The boxes and lines form a sort of blueprint of an organization showing not only what people have to do but with whom they have to communicate for the organization to operate appropriately.

3.2 Key organizational design processes

As we have seen, the organizational chart is the most visible representation of the organizational structure and underlying components. The underlying components are (1) formal lines of authority, and responsibility, (the organizational structure designates reporting relationships by the way jobs and departments are grouped) and (2) formal systems of communication, coordination, and integration (the organizational structure designates the expected patterns of formal interaction among employees).

An important design process is differentiation which is the process of deciding how to divide the work in an organization. Differentiation ensures that all essential organizational tasks are assigned to one or more jobs and that the tasks receive the attention they need. The next stage in the process of organizational design is integration which is the process of coordinating the different parts of an organization. Integration mechanisms are designed to achieve unity among individuals and groups in various jobs, departments, and divisions in the accomplishment of organizational goals and tasks. Integration helps keep the organization in a state of dynamic equilibrium, a condition in which all the parts of the organization are interrelated and balanced.

3.3 The Communication Process in organizations

Communication refers to the transference of meaning among the members of a group. According to Nelson and Quick (2003), communication is the evoking of a shared or common meaning in another person. Interpersonal communication is communication that occurs between two or more people in an organization. Interpersonal communication is important in building and sustaining

human relationships at work. Interpersonal communication cannot be replaced by the advances in information technology and data management that has taken place during the past several decades, and no organization can function properly without communication.

Before communication can take place, a purpose, expressed as a message to be conveyed is needed. It passes between a sender and a receiver. The message is encoded (converted to a symbolic form) and passed by way of some medium (channel) to the receiver, who retranslates (decodes) the message initiated by the sender. The result is transference of meaning from one person to another. The key parts of the communication process are as follows: 1. The sender, 2. Encoding, 3. the message, 4. The channel, 5. Decoding, 6. The receiver, 7. Noise, and 8. Feedback.

The communication process begins with the sender, who has a thought or an idea which is then encoded in a way that can be understood both by the sender and the receiver. The sender initiates a message by encoding a thought. The message is the actual physical product from the sender's encoding. It could be oral, written or through gesture. When we speak, the speech is the message. When we write, the writing is the message. When we gesture, the movement of our arms and the expressions on our face are the message. The information from the sender is transmitted through a channel that links the sender with the receiver. The transmission may be through a memorandum, a computer, the television or any other media. The channel is the medium through which the message travels. Formal channels are established by the organization and transmit message that are related to the professional activities of members. The receiver receives the message by decoding it. Decoding is the process of translating the message into a form that can be understood by the receiver. Accurate communication can occur only when both the sender and the receiver attach the same or at least similar meanings to the symbols that compose the message. Thus communication is not complete unless it is understood. Unfortunately, communication is affected by "noise" which is anything that hinders communication. To check the effectiveness of communication, a person must have a feedback.

3.3.1 Downward communication process in organizations

The Communication processes in an organization can flow vertically or laterally, the vertical dimension can be further divided into downward and upward direction. Let us consider these processes of communication, first downward communication.

Downward communication in an organization is the communication from the supervisors to subordinates. It flows from one level to the next lowest one and it comes down to the bottom of the organization chart. When we think of managers communicating with employees, the downward pattern is the one we are usually thinking of. Although many things may be communicated in the process of communication, however official messages flowing downward generally consist of instructions, directions, and orders-messages telling subordinates what they should be doing. We also would expect to find feedback on past performance flowing in a downward direction such as when managers tell subordinates how well they have been working. For example, a sales manager might direct members of his or her sales force to promote a certain product and then congratulates them for being successful.

What do subordinates want to hear? According to Greenberg and Baron (2008), generally, employees are only moderately satisfied with the nature of the communication they receive from their superiors. In a study, it was found that 71 percent of employees believe their superiors keep them well informed, 65 percent believe that they are given sufficient information to do their jobs, and 51 percent believe that downward messages they receive are candid and accurate. These statistics suggest that there is clearly something missing from the information people are receiving from their superiors. This raises an interesting question: When listening to their superiors, what topics interest employees most? For what questions are they searching for answers? There appear to be six key areas of interest to employees. These are as follows;

What, exactly does my job entail?

- > How well am doing?
- > Does anyone care about me?
- > How is my unit doing?
- > Where is the organization headed?

>How can I help the company meet its objectives?

Armed with this information, it is clear that managers should have a clear agenda when communicating downward with their subordinates. Answering these questions, whether directly in the form of one-on-one discussions, or in broader media, such as company newsletters, is a sure way of improving communication. Not only does addressing these issues stand to make worker more satisfied with the message received from their superiors, but also with those superiors themselves. In fact, addressing these issues in messages to one's subordinates is an excellent way of managing their job performance.

“The mum Effect” is an interesting phenomenon that often occurs in the course of downward communication. This refers to people's reluctance to transmit bad news to others (as in “Mum's the word,” being silent about something). It is only natural, for example, for doctors to be uncomfortable telling their patients that they are seriously ill and for teachers to tell their students that they are failing. Although, the MUM effect cannot be countered completely, the task of transmitting bad news can be made less difficult for everyone concerned by following the guidelines for being a supportive communicator. Among most difficult topics of downward communication involves informing someone that he or she is being terminated. Although, it's never pleasant, there are several important things to take into an account when it becomes necessary to do this (see Greenberg and Baron 2008).

3.3.2 Upward communication Process in organizations

Another form of vertical communication is upward communication. Upward communication flows to a higher level in the group or organization. It flows from subordinate to superior. In other words, information flows from lower level to higher level within an organization. Messages flowing in this direction tend to contain information managers needs to do their jobs, such as data required for decision making and the status for various projects. Upward communication is designed to keep managers aware of what is going on. Among the various types of information flowing upward are suggestions for improvement, status reports, reactions to work related issues, and new ideas.

It has been established that upward communication occurs much less frequently than downward communication. In fact, one classic study found that 70 percent of assembly line workers

initiated communication with their supervisors less than ones in a month. Further research has found that managers direct less than 15 percent of their total communications to their superiors. And when people do communicate upward, their conversation tends to be shorter than their peers.

Importantly, upward communication is often inaccurate, for example, subordinate frequently feel they must highlight their accomplishment and downplay their mistakes if they are to be looked on favorably. Similarly, some individuals fear that they will be revoked by their supervisors if they anticipate that their remarks will be perceived as threatening. As a result, many people frequently avoid communicating bad news to their superiors or supervisors, or simply “pass the buck” for doing so to someone else. This, of course, represents another instant of the MUM effect discussed earlier in conjunction with downward communication. Clearly, this same phenomenon occurs here as well as you might imagine, because superiors rely on information when making decisions, keeping silent about important news, even if it’s bad, may be one of the worse things a subordinate can do.

It is important to note the possibility that managers may be to blame for their subordinate reluctant to communicate with them. Time pressure seems to be the key; specifically many subordinates complain that they will communicate with their superiors more frequently if they believed their superiors welcomed them. It is important for managers to make time to listen to their subordinates and importantly, to let them know what they are doing so. Also to avoid the problem of limited upward communication, many companies have incorporated large scale programs through which employees can send messages to top company officials.

3.3.3 Lateral communication

When communication occurs among members of the same work group, among members of work group at the same level, among managers at the same level, or among any horizontal communications, we describe it as lateral communication. According to Greenberg and Baron (2008), lateral communication refers to messages that flow between different people at the same organization level. Typically, lateral communication is characterized by efforts at coordination (attempts to work together). Consider for example, how a vice president of marketing will coordinate her or his effort to initiate an advertising campaign for a new product with

information from the vice president of production about when the first product will be coming off the assembly line. Such communication is essential for organization to operate effectively. These days, as organizations tends to be eliminate layers of hierarchy and are having people work together in teams in which individuals are relatively equal, lateral communication is becoming increasingly common.

Because lateral communication involves people at the same organization level, it is often friendlier in nature and less awkward than either upward or downward communication, in which the parties are at different levels. Communication between peers also tends to be more casual and occurs more quickly because fewer social barriers exist between them. Not surprisingly, people generally are satisfied with the nature of the lateral communication experience – 80 percent, according to one survivor. This is not to say, however that lateral communication is free of challenges. One common problem that occurs in the case of lateral communication is that people in different department may feel that they are competing against one another for valued organizational resources. As a result, they may show resentment towards one another, substituting an antagonistic, competitive orientation for the friendlier, cooperative one needed to get things done.

3.3.4 INFORMATION COMMUNICATION

The pattern of informal connections between people is known as an informal communication network. As you might imagine, informal communication networks, because they are so widespread, constitute an important avenue by which information flows in organization. In fact, middle managers ranked informal networks as better sources of organization information than formal networks. It may be said, therefore, that if an organization's formal communication networks represents its skeleton, then its informal communication network constitute its central nervous system.

3.4 IMPORTANT FACTORS TO BE CONSIDERED IN DEVELOPING ORGANIZATIONAL CHARTS

In developing organizational charts, the following factors should be considered

Simplicity: The structure should be made simple as much as possible, so that it can be understood and operated by those involved.

Least cost solution: As much as possible, more complex organizations such as the matrix structure which may be more costly to administer and monitor should be avoided.

Motivation: The motivation of those involved needs to be considered in the context of any proposed changes.

Organizational culture: Existing organizational culture is vital to the choice between structures.

In addition to these issues, there is a connection between the range of an organization's business and the most appropriate organizational structure. The table below shows the nature of business and the right structure to adopt.

Nature of Business activity and Organizational structure

Nature of business	Likely organizational structure
Single Business	Functional
Range of products extending from a	Functional but monitor each range of
	Product using separate profit and loss accounts
Single business	
Separate businesses within group	Divisional
With limited links	
Separate businesses within group with ordination	Matrix (or divisional with co-
	If matrix is difficult to manage
Strong links	
Ideal factory	innovative structure
Unrelated business	Holding company
Related businesses owned jointly or	Holding company
By minority shareholding	

Source Lynch R, (1997) corporate strategy, London, Pitman publishing, P718

Environment

The business environment plays important role in determining the type of structure to be put in place. According to Lynch (1997), there are four main characteristics that influence organizational structure. These are discussed below.

Rate of change: When the organization operates in a more dynamic environment, it needs to be able to respond quickly to the rapid changes that occur. In static environments, change is slow and predictable and does not require great sensitivity on the part of the organization. In dynamic environments, the organization structure and its people need to be flexible, well coordinated and able to respond quickly to outside influences. The dynamic environment needs a more flexible, organic structure.

Degree of complexity: Some environments can be easily monitored from a few key data movements. Others are highly complex with many influences that interact in complex ways. One method of simplifying the complexity is to decentralize decisions in that particular area. The complex environment will usually benefit from a decentralized structure.

Market complexity: some organizations sell a single product or variations on one product. Others sell ranges of products that have only limited connections with each other and are essentially diverse. As markets become more complex, there is usually a need to decentralize the organization as long as synergy or economies of scale are unaffected.

Competitive situation: with friendly rivals, there is no great need to seek the protection of the centre. In deeply hostile environments, however, extra resources and even legal protection may be needed: these are usually more readily provided by the central HQ. As markets become more hostile, the organization usually needs to be more centralized.

Type of environment	Range	Consequences for organizational structure
Rate of change	Static _____ Dynamic	As rate increases, the organization needs to be kept more flexible
Degree of complexity	Simple _____ complex	Greater complex needs more formal co-ordination
Market complexity	Involved in _____ involved in single market diversified	As markets become more diversified, divisionalisation becomes advisable
Competitive situation	markets Passive _____ Hostile	Greater hostility probably needs the protection of greater concentration

Source: Lynch R, (1997) corporate strategy, London, Pitman publishing, P718

3.5 APPROACHES TO DEVELOPING ORGANIZATIONAL CHARTS

3.5.1 TRADITIONAL ORGANIZATIONS – The traditional organizational chart gives each manager a specific area of authority and responsibility; but it also pits managers against each other. For example, if a purchasing manager has budgeted N50, 000 for a quantity of a specific part and the inventory control manager must order them on rush basis for N60, 000, the purchasing manager’s responsibility and authority are subordinated to the inventory manager’s needs.

3.5.2 CELLULAR ORGANIZATION – In the past decade more and more companies have begun to use a cellular organization. Here workers cooperate in teams (cells) to manufacture total products or subassemblies. Each cell is responsible for the quality and quantity of its products. Each has the authority to make adjustments to improve performance and product quality.

The basic difference between the cellular and the traditional organization is that workers in the cells are all responsible for their output. The linear competitiveness of the traditional structure is avoided. Instead each individual is pressured to perform so that the group will succeed. Cells tend to be tightly self-monitoring and self-correcting. In a cellular organization companies tend to have much smaller staffs overall, with middle management positions reduced and lean management numbers at the top.

3.5.3 NETWORK DESIGNS

To meet the challenges of revolutionary changes in the business environment, organizations are moving toward network structures. Network organization is described by Luthans (2008) as follows, ‘delayed, highly flexible, and controlled by market mechanisms rather than administrative procedures, firms with this new structure arrayed themselves on an industry value chain according to their core competencies, obtaining complementary resources through strategic alliances and outsourcing’

3.5.4 THE VIRTUAL ORGANIZATION

According to Luthans, (2008), the term virtual organization has emerged not because it describes something distinct from the network organizations but because the term itself represents the new information age and the partnering, alliances, and outsourcing arrangements found in an increasing number of global companies. Virtual organizing requires a strong information technology platform. The virtual organization is a temporary network of companies that come together quickly to exploit fast-changing opportunities.

Different from the traditional mergers and acquisitions, the partners in the virtual organization share costs, skills, and access to international markets. Each partner contributes to the virtual organization what it is at –its core capabilities.

3.5. 5 PROCESS AND PROJECT MANUFACTURING – How a company organizes may be related to the type of manufacturing carried out. *Process manufacturing*, for example, is carried on in various forms. This type of manufacturing applies various processes, or methods to change materials into finished goods.

- ❖ The *assemble process* puts parts together to form whole products, such as cars and trucks.
- ❖ The *continuous process* uses mass production techniques to make many items of one kind, such as roller bearings, nuts, or bolts.
- ❖ *Intermittent processing* uses one process for a batch of goods, and then changes process to produce goods having some differences from the earlier batches (e.g., stainless steel restaurant kitchen drain boards and fitted metal cabinets.)
- ❖ The analytical process breaks down materials into components to extract the parts needed, as in oil refining and smelting.
- ❖ The *synthetic process* brings items together to create an entirely different product. For example, in the synthetic fabric industry and the rubber industry, materials are changed by chemical and heat processes before being formed.
- ❖ The *extractive process* removes a product from raw material, as in coal mining.

Project manufacturing usually involves very large projects for which materials and workers must be removed. There is no assembly line or workstation layout within a factory or shop; the product is built in place. Examples include the building of large ships, large printing processes, and high-rise.

4.0 CONCLUSION

Organization chart is useful in the process of communication in an organization. Its help both subordinates and superiors to pass useful information to one another which helps in the achievement of organizational goals. To manage effectively, organizations need appropriate organizational structures.

5.0 SUMMARY

An organizational chart is the linking of departments and jobs within an organization. The communication process begins with the sender, who has a thought or an idea which is then encoded in a way that can be understood both by the sender and the receiver. Downward communication in an organization is the communication from the supervisors to their subordinates. Upward communication flows from subordinate to superior. Lateral communication refers to messages that flow between different people at the same organization level. The pattern of informal connections between people is known as an informal communication network. In developing organizational charts, the following factors should be

considered, simplicity, cost, motivation, organizational culture, and the environment. There are different approaches of designing an organizational structure. Some of the approaches discussed are the traditional approach, cellular organization, network designs.

6.0 TUTOR MARKED ASSIGNMENT

1. What do you understand by the term organizational chart and of what purpose is it in the management of organizations.
2. Briefly discuss the communication process of an organization.
3. Discuss the various approaches to developing an organizational structure.

7.0 REFERENCES AND FURTHER READING

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