Chapter 13 - Structure and performance in organizations

Answers to end of chapter questions

1. Why do organizations need a structure?

Some kind of structure is needed in an organizational setting in order for people to understand what is required of them and by whom.

2. If the bureaucracy is the most maligned of all organization structures, why then are so many organizations bureaucratic?

Because in order to function as a more organic structure a new form of control needs to be implemented and this requires effort and money on behalf of the organization.

3. How does a systems view help us to understand organizational behaviour, and what are its limitations?

It views organizations as naturally occurring, organic social clusters. It is, therefore, realistic about the behaviour of human beings and their potential to be subjective and unpredictable.

4. Discuss the ways in which variation in organization structure depends on contingent factors like technology and environment.

A fast-moving, high tech environment will require an adaptable and flexible structure. It would, therefore, need to be organic and horizontally arranged, with much communication and autonomy. A slower-moving environment can support a more bureaucratic structure with tightly controlled roles and expenditure.

5. How does the concept of managerial choice define the limits of contingency theory?

The contingent factors influence organizational structure however the managers choice has final say as to how the organization is actually run.

6. What are the design choices available to a diversifying organization, and what are the advantages and disadvantages of each?

The organic model - Already discussed at length, this is worth reiterating as it remains one of the most elegant and appealing of alternative models. Strictly speaking the ‘organic’ structures that Tom Burns found in the Scottish electronics industry of the 1950s were not a distinctive design or organizational type. They were more a set of structural and cultural characteristics—indeed almost a philosophy of organizing—elements of which are found in other alternative models. The organic structure had
strong informal networks, fuzzy divisions of labour, a preponderance of verbal communication, and delegated authority—factors which constituted a set of expectations about levels of discretion and how far jobs are predefined. The strength of the model was its capacity to respond flexibly to changes in dynamic and complex environments.

**Product-based/divisional structure** - This structural type involves the skills and occupations needed for a particular type of output—it may be a specific product, but it can also be the product range for a specific market or geographical region—being brought together in a department or organizational division. Product-based structures mean the regrouping of a functional structure, so that instead of, say, all the technical skills, the production skills, and so on being in functional departments, these are redistributed in different divisions. Child (1984, pp. 90–1) points out that organizations often shift to a product-based structure as they expand, and as new product ranges are developed and new markets entered. He describes the case of a steel manufacturer which had taken the decision to diversify into specialist steels. This was a type of production with an extremely high technical specification, but the company initially expanded simply by adding capacity to its existing (functional) departments. However, it soon became apparent that the new products were beyond the capacity of the structure. Production control and quality slipped, and staff in the existing departments were not committed to the new products. Soon the company was falling behind its competitors. At this point, they moved to set up a separate production facility for the new steels, grouped with its own technical and sales back-up. This meant the duplication of these functions in a new division, but justification for this investment was based on the opportunities available.

This example indicates the pluses and minuses of the product-based structure. It can be highly effective, and the only practical choice for companies that are diversifying—and indeed the multi-divisional structure is commonplace among large organizations with a complex product range. However, it does replicate resources, and such structures invariably have to be operated under tight budgetary control that checks the growth in the managerial overhead—making the separate divisions into strategic business units or profit centres.

7. **Modern organizational designs attempt to combine control with flexibility. How do they do that?**

Matrices allow organizations to simultaneously have two kinds of structure—usually functional and product-based. In these compromised or mixed structures, the normal bureaucratic hierarchy is overlaid with a lattice of product-based teams or project groups. The matrix thus has dual lines of authority from a divisional structure and a basic functional chain of command. Individuals will belong to a particular department, but will also have membership of a number of teams or project groups. The advantages of matrix structures are that they allow the benefits of grouping specialisms, and the flexibility this brings, together with the benefits of a stable career ladder that comes from retaining a departmental base for the different occupations.