

## CHAPTER 1

# Organisational Design

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### KEY LEARNING OUTCOMES

By the end of this chapter, you will be able to:

- Understand the historical and theoretical basis of organisation design and the relationship between organisational elements and the business strategy.
- Understand the key factors to be considered in the design of organisations and the implications for the management and development of people and resources.

### INTRODUCTION

Organisation design is not simply about mapping out an organisational structure, but also about how the organisation is aligned with all other aspects, functions, processes and strategies within the business. When looking at organisation design, the context within which the business exists must be taken into consideration.

The chapter begins by discussing what an organisation actually is before looking at how organisation designs have evolved over time. The chapter then considers various forms of design, factors that influence design, and a range of tools and models you can use to understand how organisation design fits together. The chapter concludes by investigating what role HRM plays within organisation design.

Throughout the chapter there are questions and case studies. We strongly urge you to take time out to try to answer the questions. Only by doing so can you fully understand the complexity and relevance of organisation design.

## WHAT ARE ORGANISATIONS?

Whether we are aware of it or not, we have at some stage in our lives belonged to at least one organisation. We also can quite easily identify organisations. These organisations can be international (e.g. the World Bank), national (e.g. Parliament and the National Health Service), or local (e.g. a local charity). But what exactly is an organisation? Most of us would consider it to be composed of a number of people, but would we say it also consists of the buildings that the group of people use?

Naturally there are many definitions. McNamara (2012) suggests that 'in its simplest form' an organisation is 'a person or group of people intentionally organised to accomplish an overall, common goal or set of goals'. Note that this definition accepts that a single person can be an organisation and that the critical factor is that there are *intentionally* established goals. Katz (1966, p18) also recognises the goal-oriented aspect of organisations but suggests that an organisation comprises 'a group of people who work interdependently toward some purpose'. There is no room for a single individual here; individuals are grouped together working with each other. Huczynski and Buchanan (2007, p6) introduce another condition to the definition: one of *control*. For Huczynski and Buchanan, organisations are 'a social arrangement for achieving controlled performance in pursuit of collective goals'. So we have a group of individuals working together to achieve a particular goal, and the engagement of the individuals is not indiscriminate but co-ordinated in a controlled manner. The engagement then has structure; it has design.

A further consideration in defining an organisation is that it usually does not exist in isolation but engages with an external environment. Even a small community organisation often has money placed in a bank; the use of a room as a venue to meet; and possibly interaction with other community groups. The relation with the environment is central in Daft's definition of an organisation. He states that 'an organisation cannot exist without interacting with customers, suppliers, competitors, and other elements of the external environment' (Daft 2007, p11).

We can thus arrive at a working definition to assist us in understanding what an organisation is. We can say that organisations 'are (1) social entities that (2) are goal-directed, (3) are designed as deliberately structured and co-ordinated activities systems, and (4) are linked to the external environment' (Daft 2007, p10).



## REFLECTIVE ACTIVITY

- 1 Is the family unit an organisation? If so, what objective does it have, and how does it engage with the environment?
- 2 Identify two organisations to which you have belonged. Do they have all four features identified by Daft above?
- 3 Can you think of two organisations which have not been 'deliberately structured' or which do not have 'co-ordinated activities systems'?

## THE EVOLUTION OF ORGANISATION DESIGN THEORY

## WEBER'S BUREAUCRACY

We saw in the previous section that organisations are deliberately structured and have design. A particular design of an organisation might be described as bureaucratic – that is to say, it has *bureaucracy*. What do we mean by this, and how does it relate to organisation design? Our understanding of bureaucracy generally comes to us through the work of the German sociologist Max Weber (1864–1920), who uses the term in relation to his discussion of authority. Weber explores why it is that we obey other people and suggests three types of authority: traditional, charismatic and legal-rational.

It is the legal-rational authority that applies to bureaucracy. This type of authority depends not on tradition, as in the case of monarchy, or on the charismatic qualities of a person. The reason we tend to obey this authority is because it has been defined, structured and limited by certain rules designed to achieve specific goals. Thus, within a company managers ought to be obeyed because they occupy the 'office' of a manager, and there are restrictions to the extent of their authority, which has been rationally determined. This would be a different situation from, for example, a young child who obeys the parents purely because they are the parents and because parents are traditionally obeyed.

Legal-rational authority tends to co-exist within certain types of organisations referred to by Weber as having 'bureaucratic administration'. What he means by this is that organisations develop robust processes, structure and rules for workers to follow. It is these features that, when they are put together in an organisation, we refer to as bureaucracy. Weber then goes on to say that organisations adopting the 'bureaucratic administration' type are 'superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability' (Weber 1947, p337). Moreover, he suggests that the capturing of technological knowledge is the 'source' of the bureaucratic administration. In other words, following industrialisation, developing organisations increased the number of managerial workers who were responsible for capturing, measuring and evaluating work practices. This new knowledge needed to be formulated in a structured way so that organisational processes could be followed, measured and understood. This in turn facilitated an element of control, which in Weber's view contributes to the efficiency of the organisation. Thus for Weber the most

effective design for an organisation is one where its structure is bureaucratic. It is this structure that allows greater control of the organisation and in turn leads to greater efficiencies.

#### TAYLOR AND SCIENTIFIC MANAGEMENT

Frederick Taylor (1856–1915) had considerable personal experience of manufacturing organisations in the USA having served an apprenticeship as a machinist before moving on to become a shop superintendent in the 1880s. He is considered the founder of what we now refer to as ‘**scientific management**’, which complements several aspects of Weber’s rational-legal bureaucracy. From his experience Taylor became aware of the various ways in which workers engaged in the same or similar tasks. He noticed that some methods employed by the workers were more effective than others. If, then, an organisation wants to improve its efficiency, a way forward would be to adopt the most effective method in performing each particular task. It was Taylor’s aim to discover what the most effective method in completing particular tasks would be through the use and application of principles of scientific enquiry (Taylor 1947).

#### Taylor’s scientific method

Taylor outlined his scientific method setting out four principles:

- 1 The ‘gathering in’ of the knowledge from workers on how they do each task and formulating this into rules, laws and possible mathematical formulae.
- 2 ‘Scientifically selecting’ the appropriate worker(s) for each task and providing any necessary skill development. For example, if the task requires a lot of manual work, an unfit individual would not be the best choice.
- 3 The bringing together of the ‘gathered in’ and the ‘scientifically selected’. In other words, ensuring that the most appropriate individual is employed to do each particular task using the ‘scientific’ method that has now been discovered.
- 4 Increasing the size of the management workforce as a result of the observing, recording and planning of the work function.

Taylor provides an illustration of good shovelling from the Bethlehem Steel Corporation plant. Shovelling is, according to Taylor, a simple task. From this he concludes that the individual performing this task is of limited intellectual capability. This person would not be a position to work out the most effective way of shovelling. Taylor, however, points out that by methodically studying this task and then selecting able and capable individuals to do it, he will be able to improve the net output. He first selects a few individual workers to extract their knowledge. He then has managers conduct several ‘experiments’ in which they modified several factors such as the shape and size of the shovel. Next, he demonstrates that by varying the amount of coal on the shovel one could maximise the workers’ final output. As much as 38 pounds, for example, would be too great, whereas 16 pounds would be too small; the optimal amount is 21½ pounds.

Taylor's work had a profound influence on work organisation in the early years of the twentieth century, his ideas being most notably adopted by the Ford Motor Company. The most obvious manifestation of these ideas comes in the form of the assembly line, where each worker is given a designated task to perform repeatedly and to maximum efficiency all day long (hence 'Fordism'). To this day there are organisations which have been described as operating on Fordist principles, notably fast-food restaurants and call centres.

### TOM BURNS' MECHANISTIC AND ORGANISMIC STRUCTURE

Tom Burns' (1914–2002) brief account of the history of organisation design observes that industry continued to develop from the early crafts industries to the first factories. This development advanced further where organisations adopted a design which Burns refers to as the 'growth of bureaucracy within organisations'. In his observations this design was increasingly undermined by the need for organisations to meet new challenges. These challenges were varied and included a requirement for organisations to adapt to changes to their environment, such as technological changes. They also included the necessity of meeting the needs of consumers. From his observations he concluded that organisations were tending to fall into what he suggested were two 'ideal types' of organisational structure: mechanistic and organismic.

#### **Mechanistic structure**

This is characterised as an organisational structure in which job functions have been broken down into specialist tasks that are 'precisely defined'. Workers complete these tasks with little knowledge as to the overall product and are supervised by their immediate superiors. The management structure tends to be vertical whereby the person 'at the top' knows 'all about the company' and 'therefore knows exactly how the human resources should be properly disposed' (Burns 1963, p103). This organisation type adopts this form because of the relatively stable environmental conditions in which it operates and corresponds to the rational bureaucratic and scientific management form described above.

#### **Organismic structure**

Organismic (or 'organic') organisations, on the other hand, have adapted to meet unstable environmental conditions. Job functions are less easily defined and supervision is often horizontal or 'lateral'. Demarcation of the job function in this organisational type is blurred, so that many job responsibilities may have to be redefined to meet the changing environment in which the organisation operates. Knowledge and skills expertise are not assumed to reside with 'the boss' but are located anywhere across the organisation. The organisation structure is more open and complex, having to adapt to an unstable environment (Burns 1963, p104).

From Burns' point of view, unless we acknowledge and accept the increasing variables and complexities affecting organisations we will continue to adopt designs that are no longer 'fit for purpose' (Burns 1963). A bureaucratic/mechanistic structure, for example, may suit one type of organisation, but with

complexity of technologies emerging and, increasingly, the external environmental impacting on organisations, it cannot meet all organisation designs.

In moving forward, then, we can see that earlier accounts of organisation design were perhaps adequate in explaining early industrial organisations. Today we need better explanations of organisation design which embrace the increasing complexity of markets, customers and technologies.

## COMMON FORMS OF ORGANISATIONAL STRUCTURE

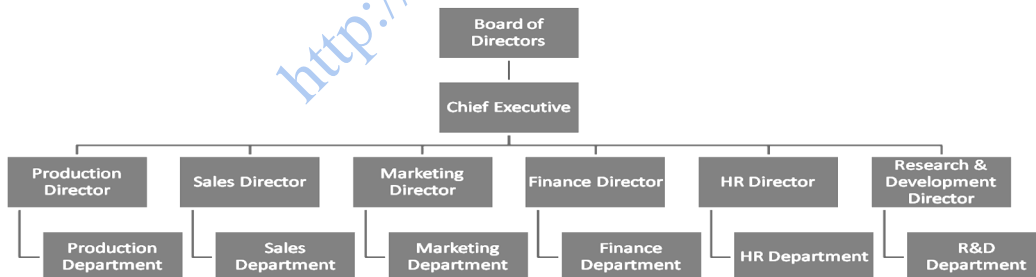
Although we now understand that organisational design is far more than simply creating a diagrammatic structure, it is in this way that we most easily recognise the outcomes of design. Following on from the work of Weber (1947), a number of alternative classic types of organisational structure have arisen. These types should not be seen as sequential, but as a range of alternatives which are the subject of deliberate management choice.

All of these types of organisation reflect what might be described as a structuralist view of organisation design, offering a clear chain of command and reflecting in many ways the military model of a hierarchical organisation.

### FUNCTIONAL ORGANISATIONS

This type of structure reflects the different functions present within organisations. Thus the marketing, finance, sales, production, research and HR specialties each have their own sub organisation which is (usually) represented at board level. This is shown diagrammatically in Figure 1.1.

Figure 1.1 A typical functional organisational structure



The size of each department varies according to business needs. For example, most manufacturing organisations have a large production department compared to the size of other functions. Some organisations merge sales and marketing. The general point is that such a structure allows employees with specialist skills to deploy these to their best abilities.

Functional organisational structures work best when the organisation or business unit is self-contained, such as a small company or an autonomous unit, such as a subsidiary company. The downside of this type of structure is the easy

development of a 'silo mentality', by which issues escalate rather than enabling lateral communication to be brought to bear in order to solve problems.

### GEOGRAPHICAL ORGANISATIONS

As organisations expand – particularly when they develop their operations across national boundaries – it is common to observe an organisational structure which reflects this. There is thus a distinct variant on the functional organisation, as shown diagrammatically in Figure 1.2.

Geographical organisational structures work best when local decision-making is required to tailor the product or service to a regional market. For example, a brewery company expanding into an overseas market would have to take local tastes into account.

Figure 1.2 A typical geographical organisational structure



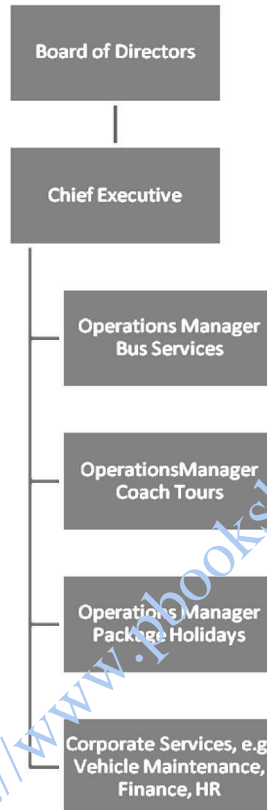
For an organisation which has a strong brand identity where consistency of offer is at a premium, however, geographical organisation requires considerable control. This can depress local initiative, or at the very least, create tensions between the head office and the branches.

### ORGANISATION BY PRODUCT

There are many examples of structures which reflect the product line(s) or services which the organisation offers. For example, a passenger transport company may be organised into bus services, coach tours and package holiday products, each with their own dedicated operations. This is shown diagrammatically in Figure 1.3.

Note that some aspects of the functional organisation still remain in this example, but the dominant model is by product line.

Figure 1.3 A typical product-based organisational structure

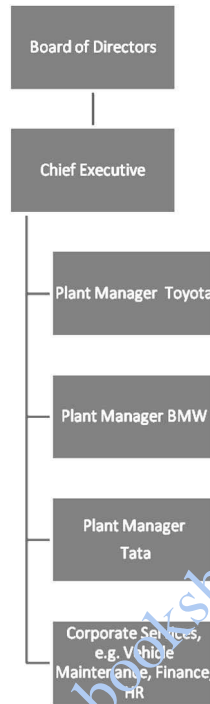


Product-based organisations work best when there is a need to promote entrepreneurial behaviour. Each of the business areas pursues the development of its products around the organisation's core competencies. One disadvantage of such a structure is that rivalry can develop and a distinct 'pecking order' can be discerned – for example, between coach and bus drivers (Blake 2010). This rivalry can spill over into competition for resources between product groups.

#### ORGANISATION BY CUSTOMER/MARKET

Examples exist of organisations in which the structure most closely reflects the markets in which they operate. For example, some organisations rely heavily on a small number of important customers who account for most or all of their business. Automotive component manufacturers often organise themselves in this way, with perhaps a dedicated production area, or even a separate plant which produces only for Toyota, another for BMW, another for Tata etc, as shown in Figure 1.4.

Figure 1.4 A typical customer-market-based organisational structure



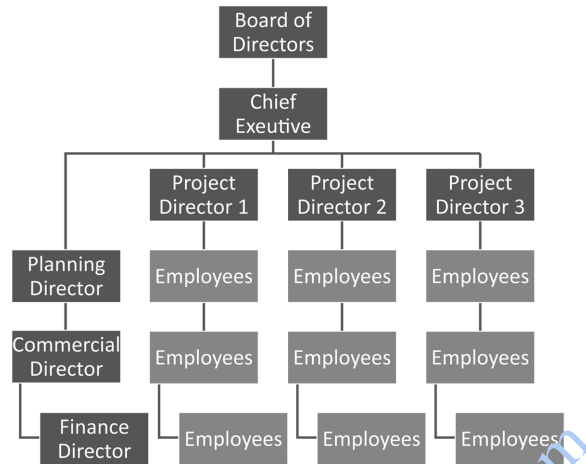
Customer-facing organisations have attracted considerable approval in recent decades, partly spurred by such influential works as *In Search of Excellence* (Peters and Waterman 1982). Being close to the customer and able to respond quickly to their changing demands requires an organisation to uphold the primacy of the customer relationship and give autonomy to local staff to make deals and decisions. Customer-facing structures work less well in organisations where a consistent service delivery against tight contractual requirements is paramount, such as a university.

#### MATRIX STRUCTURE

A matrix structure is one which sets out to reconcile the competing demands of customers and the need for a strong bureaucratic and efficient functional presence. This type of structure is commonly observed in organisations which are highly project-based – for example, civil engineering companies.

Obviously, there are greater tensions between the requirements of different projects and functions, but the idea is to enable employees to locate themselves within a strongly multi-project environment. This is shown diagrammatically in Figure 1.5.

Figure 1.5 A typical matrix organisation



Matrix structures work best in project-based environments, such as engineering and construction, where each project runs for a long period. Each team involved can concentrate their energies upon their designated project, drawing across the range of central services as needed. The major drawback of the matrix design is that everyone appears to have two bosses, which can (and frequently does) lead to role conflict and tensions.

It is important to stress that the common types of organisational structure described above can co-exist within one corporation at one time. For example, a multinational may operate different organisational structures in different markets, or a manufacturer may have one dedicated customer-oriented plant while running the rest of the business on functional lines.



### REFLECTIVE ACTIVITY

Consider the following organisations and state which type of organisational structure you believe to be the most appropriate:

- Virgin Trains

- a chemical process works
- an architect's practice
- Rolls-Royce engines
- Debenhams plc

### FACTORS INFLUENCING ORGANISATION DESIGN

A number of elements have to be co-ordinated by managers in order to design an effective organisation which can satisfy its overall purpose and objectives. The effective orchestration of these can have a significant impact on the success or otherwise of the organisation. At the heart of this process lies the relationship between organisational **strategy** and organisation design.

‘Strategy and structure are jointly determined by more fundamental variables like the firm’s technology (economies of scale and scope), the availability of efficient projects, and the profitability of successful projects’ (Berkovitch *et al* 2010).

## BUSINESS STRATEGY

Organisational strategy is the articulation of the vision, mission and competitive position of a business. The concept also applies to not-for-profit organisations. The whole organisation has a strategy but, in a number of organisations, parts of it will also have a strategy. It therefore follows that the design of an organisation should serve the overall strategic purpose. For example, if a retail organisation wishes to develop a new product line, people and resources must be deployed to achieve this, and an impact will be felt on the organisational structure.

The steps to realising a strategy is summarised in Figure 1.6.

Figure 1.6 An iterative approach to organisational strategy



### Mission and vision

The mission of any organisation is an articulation of the common purpose which informs the organisation’s members and binds them together in the enterprise. Many organisations express this in the form of a mission statement, as a way of communicating to both employees and other **stakeholders** the purpose of the organisation. In some cases, the mission remains in the head of a few people and, if not shared, can lead to confusion and conflict later on.

The vision differs from the mission in that it is future-oriented, setting out a description of where the organisation will be in a defined number of years. The vision statement will probably also address the look and feel of the organisation. If a chief executive does not have a sense of mission and vision, the organisation will probably remain mired in the past without a sense of forward movement.

George H. W. Bush (US President 1989–93) was quoted as saying that he had trouble with ‘the vision thing’, and was one of the few incumbent presidents in US history to fail to gain re-election to the White House.

In simple terms, the mission should answer the question ‘What do we do?’ and the vision should answer ‘Where do we want to get to in  $n$  years’ time?’

### Develop strategy

If the vision is about *where* an organisation wants to get to, then business strategy is all about *how* it gets there. Strategy is not simply long-term planning – it represents the means by which the aspirations of the organisation are realised.

Bloisi (2007, pp91–2) summarises this as follows:

‘Strategies pertain to those destiny-shaping decisions concerning:

- the choice of technologies on which products and services are based
- the development and release of new products and services
- the processes for producing products and services
- the way products are marketed, distributed and priced
- the ways in which organisations respond to rivals.’

The decisions listed above drive the sub strategies of the organisation – i.e. the marketing strategy, the customer-service strategy, the product-development strategy, the financing strategy and the people-resourcing and development strategy.

### Organising and resourcing

This stage is all about the realisation of the strategy. One key output is the design of an organisational structure in order to fulfil its strategic plans. A series of example structures is shown below, but at this stage it is important to remember that strategy should drive organisational structure.

### Execution

Self-evidently, execution of strategy is about action and making things happen at all levels of the organisation. It is also the time when the first effects of the strategic plan are seen and therefore feedback loops and management information systems should form an essential part of the execution of strategy.

### Review and evaluation

The vision, mission and strategy should be subject to periodic review. This should be done firstly to review **organisational performance** against the goals which the organisation has set; secondly, to ensure that there is still consistency between vision, mission and strategies; and thirdly, to ensure that the organisational structures and systems are still fit for purpose. Such reviews can also lead to a reorganisation in order to maintain the momentum of the organisation.

## EXTERNAL ENVIRONMENT

Strategy, as described above, cannot exist within a vacuum. Continuous scanning and review of the environment within which the organisation operates is an essential contributor to organisation design.

A key tool for scanning the environment is known as PESTLE analysis. PESTLE is an acronym for:

- Political
- Economic
- Social
- Technological
- Legal
- Environmental.

The analysis, which can be done by an individual but is better done by a group, consists of reviewing each of these factors in so far as it affects the organisation. PESTLE is also used to generate ideas of opportunities and threats which face the organisation. For example, a solar power manufacturer may find that its sales are affected by government policy on electricity feed-in tariffs.

Alongside environmental scanning, organisations should regularly carry out stakeholder analysis, both when discussing strategy and also when a major project is being developed. Stakeholders can be defined as any individual, group or body who has an interest in the organisation's success. Stakeholders are not confined to owners or shareholders but include employees, suppliers, customers, unions, government (both local and central and agencies) and partner organisations.

Stakeholder analysis is a matter of:

- listing each stakeholder
- identifying what the stakeholders' needs are in relation to the organisation
- identifying the extent to which the stakeholders' needs are currently met
- making decisions about how to close the gap (including whether it is viable to do so)
- considering the organisation design and resourcing implications of closing the gap(s)
- taking action.



### REFLECTIVE ACTIVITY

Consider the university or institution in which you study. Carry out a stakeholder analysis as described above. What changes in the organisation design of this institution would you recommend?

## ORGANISATIONAL CULTURE

### WHAT IS 'ORGANISATIONAL CULTURE'?

Schein (1990) defines **organisational culture** as having three key elements.

The everyday cultural manifestations of organisational culture are described as 'artefacts'. Cultural artefacts are diverse and can include staff facilities, the availability of car parking spaces (and who gets them!) or modes of mutual greeting in speech. Essentially, artefacts can be seen or heard.

Norms are less obvious, but examples include whether meetings always start and finish on time, methods of communication (e.g. face-to-face, telephone, email) and whether there is an expectation that colleagues will be available outside normal working hours.

Values are hardest of all to identify, although in recent times organisations have been more overt in the publication of their values. However, in certain cases the publication of values creates tensions if employees perceive that they are not being adhered to by management. In connection with this, Argyris (1980) distinguishes between what he calls 'espoused theory', which is the value set declared publicly by management, and 'theory-in-action', which is how management actually behaves.

### Handy's cultural typology

Handy (1999) identified four main types of organisational culture: power, role, task and person.


Power cultures are typical in small entrepreneurial companies, although they are certainly not confined to them. Such organisations tend to be dominated by one individual or a small group. Handy likened this type of culture to a spider's web, the owner/manager or entrepreneur in the centre, controlling the organisation by the exercise of power. In start-up companies this is not necessarily a bad thing, but the persistence of such a culture can be a brake on the organisation's development.

Role cultures correspond quite closely to the functional organisation referred to above. Handy likened these to a Greek temple, in which each column represents one of the functions, and where the role of senior management is to co-ordinate the efforts of the various functions. Such cultures are highly procedural and can be very efficient at dealing with business in a mature organisation, including the public sector. The drawback of such a culture is what is commonly referred to as a 'silo mentality' in which the different functions of the business tend to see things their own way, and procedures and rules are continually referred to in order to resolve the inevitable disputes. Such organisational cultures are rarely agile in responding to customer needs.

Task cultures most closely resemble the matrix organisation referred to above. The task culture can be likened to a network of connections in which the delivery of project or task requirements is the overriding concern. Such a culture enables

considerable sharing of ideas and internal mobility, although it can be difficult for someone coming from a role culture to adjust to one in which they report to multiple leaders.

Person cultures can be likened to a cluster, where reporting lines are muted compared to the importance of key individuals. Although rare, this culture occurs when individual (non-management) employees of the organisation are of particular value for their professional skills. Person cultures tend, therefore, to arise in professional practices such as law or architecture.



### The trouble with Harry

CASE STUDY

Harry Welsh had worked in the buying function of a major retailer for some years before seeing an opportunity to acquire one of its struggling suppliers. Harry was a great deal-maker who was outstanding in his ability to negotiate contracts, both with his former employer and other retailers.

The business grew and Harry took on more staff to service the contracts he had negotiated. However, as the owner-manager of the business, he always kept things close to his chest, even from other directors of the company. Despite repeated requests from his staff for more autonomy and trust, Harry continued to pull all the strings. Whenever there was a need for training or staff performance

management, Harry's attention would always be distracted by any communication from a customer, with which he always insisted on dealing personally. In effect, Harry had made himself indispensable.

Eventually, Harry and his business partner sold out to a larger group, having never made the step to growing the company – and its people – to their full potential.

- 1 Consider which type of culture was at work here, and what culture might have been more appropriate in order to grow the business.

### Tuckman – group dynamics

Organisational culture is rarely static. The very nature of organisations, especially in the twenty-first century, means that the inflow and outflow of individuals constantly causes the organisation's culture to change, sometimes imperceptibly, sometimes dramatically.

Tuckman (1965) postulated a series of stages of group development. Tuckman's original concept was that groups go through four key stages in their development: 'forming, storming, norming and performing', to which he later added a final stage known as 'adjourning'.

During the forming stage, group members tend to be very sociable and appear willing to work well together. This, however, can be a false consensus and as soon as the pressures begin, the group finds that the team spirit breaks down.

Arguments develop and conflict arises: hence the 'storming' name for that part of the process. The outcomes of the conflict produce a real consensus about how the group should proceed – i.e. the norms are articulated and agreed. Finally, the group is now in a position to perform.

### The cultural web

Developed by Johnson and Scholes (1992), the cultural web is a diagnostic management tool for identifying the state of an organisation through six perspectives. Each perspective influences what Johnson and Scholes refer to as the organisational paradigm of the work environment. The proposition is that by analysing each of these perspectives, it is possible to take the cultural temperature of an organisation as a prelude to cultural change. The six factors in the cultural web are:

- *Stories* – Every organisation has its folk tales, often referring to past events, such as how the business was set up. Marks & Spencer, for example, has always told stories of how the business started in Leeds market as the Penny Bazaar.
- *Rituals and routines* – The day-to-day ways in which people go about their business in the organisation. Of particular importance here are the behaviours which management reward, and those which they prohibit.
- *Symbols* – Rather like Schein's cultural artefacts above, these are the visible manifestations of the organisation's culture, such as dress codes, quality of office furniture, and who gets what comforts in the office, such as coffee machines, etc.
- *Organisational structure* – Johnson and Scholes mean more here than simply the overt reporting lines in accordance with the organisational chart. This heading also refers to the unwritten lines of power and influence within the organisation.
- *Control systems* – This refers not only to financial controls but also to the systems for rewarding behaviour, and who decides how rewards are apportioned.
- *Power structures* – This category refers to the hidden and informal power structures within the organisation – who really wields the power?

### International cultures

As organisations become more global in their reach, some significant work has been done on international business cultures. One key area of debate in this regard is that over *convergence v divergence*.

Convergence theorists argue that with the impact of information technology – most notably the Internet – business cultures are converging and the differences between national cultures pale into insignificance. They cite the case of the IBM executive in his blue suit who, like the Jesuit priest, is at home in any country.

Ranged against this theory are those who argue that national and regional business cultures are pervasive and influence those who enter them. In this respect, the work of Hofstede (1980) is seminal.

Geert Hofstede is a Dutch social psychologist who set out to identify and measure those factors which distinguish one national business culture from another. His research led him to create five indices of cultural norms, which are:

- *Power distance* – This refers to the degree of social distance between senior management and workforce. If there are many levels of management within the organisation, and little contact between those at the top and the bottom of the organisation, power distance can be said to be high.
- *Uncertainty avoidance* – This refers to the appetite for risk which is prevalent in any organisation. A high uncertainty avoidance culture is characterised by low risk-taking, and vice versa.
- *Individualism/collectivism* – This refers to the propensity of the culture to reward individual effort, as distinct from a collectivist approach. This has a clear bearing upon, for instance, reward systems in an organisation.
- *Masculinity/femininity* – This is probably the most controversial of Hofstede's indices: a 'masculine' culture is seen as macho, whereas a 'feminine' culture is seen as nurturing.
- *Long-term orientation* – This was added later to the other four indices, and probably the term needing least explanation. It refers to the distinction between those cultures (such as Japan) which place a premium on long-term investment, and others, such as the USA, where judgements are made on short-term results.

Hofstede took each of these indices and measured them using a survey of managers in one multinational organisation. From these results he discovered that there are regional clusters of business culture which make it easier for those from countries with similar cultures to do business with each other. For example, he identified a Scandinavian cluster which included Sweden, Norway, Denmark, Finland and, interestingly, his own native Holland. The similarities in this cluster set them apart from other clusters.

Critics of Hofstede point out that this represents a limitation in the research, and that it is dangerous to extrapolate these findings without further research. It is certain that there are some researchers who have assumed the veracity of Hofstede's work to the point of stereotyping – for example, the article by Head *et al* (2010) on 'Global organisation structural design', which exhibits a high dependency on Hofstede and therefore implies a danger of stereotyping.

## OTHER INTERNAL ORGANISATIONAL FACTORS

### PROCESSES

The organisation's processes impact upon the choice of organisation design.



## Midshires Galvanisers

CASE STUDY

Galvanising is a process first discovered in the eighteenth century by which zinc is bonded on to steel in order to increase the longevity of the artefact from which the steel is made. For example, every motorway has crash barriers which are galvanised, thus accounting for their dull pale grey colour.

At Midshires Galvanisers, every plant supports a number of processes: goods reception, stripping impurities, cleaning, pre-flux, immersion in molten zinc at 450°C, fettling, and despatch. Each of these processes can be undertaken in one of two ways: either a group of workers can follow each piece of work from start to end and conduct all the processes; or each process is undertaken by a different group of workers. Because of the hazards associated with each process, a high

level of training and expertise is required, and most galvanising works therefore organise their workforce by process. This is an example of a horizontal process, where each piece of work passes from employee to employee until it is finished.

However, to take the case of an interior design practice, each designer is responsible for each project, and may well see each piece of work 'end to end', from receiving the commission from the client to signing off on the final implementation of the design. This is much more akin to a project management approach and therefore requires a different organisational design from that of the galvanising works.

## SYSTEMS

The **systems approach** to organisational design has already been described above. However, systems are also a key element in organisation design. Systems influence, and are influenced by, organisation design.

For example, the national education system can influence the way in which a school is organised. Year groups, subject groups, the division of labour between teaching, administration and senior management structures do not just occur – they are deliberate choices of organisation design by the governors and head teacher. In this way, external systems influence internal organisation.

## PERFORMANCE MEASURES

Performance measures are another element in organisation design. After all, the purpose of organisation design is ultimately to improve the performance of the organisation.

There are many ways of measuring organisational performance. For many businesses, financial measures are key, although not exclusive to all other outputs. To quote Simons (2005), 'Organisation design demands the right performance measures. A good measure must be objective, complete, and be responsive to the

efforts of the individual whose activities are being monitored. In addition, a measure must be clearly linked to economic value creation.'

## TECHNOLOGY

One of the most powerful examples of the impact of technology has been the ease with which senior management can communicate with the workforce, eliminating the need for multiple tiers of management and leading to 'flattening' organisations. In a major piece of research using **data** from approximately 380 US firms, Brynjolfsson and Hitt (1998) found 'greater demand for IT in firms with greater decentralisation of decision rights (especially the use of self-managing teams), and greater investments in human capital, including training and screening by education. In addition, IT has a greater contribution to output in firms that adopt a more decentralised and human-capital-intensive work system... . These findings lend support to the idea that organisational practices are important determinants of IT demand and productivity.'

## PHYSICAL ASPECTS

The physical aspects of organisation design – ergonomics, health and safety, well-being, environment and space – should not be overlooked. Depending on the organisation's mission and purpose, these factors may have a greater or lesser impact. Ongoing research demonstrates the effect of technological change, which has been an area of interest since the Tavistock Institute's work on the longwall technique of coal mining in the late 1940s.

For up-to-date advice on ergonomics and job design, see the International Labour Organization's website in the Further reading section.

## PSYCHOLOGICAL ASPECTS OF ORGANISATION DESIGN

A range of psychological aspects mediates organisation design. These include the following.

### **Discretion and autonomy**

This refers to the balance to be struck between delivering a consistent, standardised service to customers on the one hand and the degree of empowerment allowed to employees on the other. Much depends upon the service or product proposition to the customer. For example, a branch of McDonalds allows little employee discretion over the product range, whereas an engine designer such as Rolls-Royce offers a great deal of customer input and therefore needs to give its customer-facing staff sufficient discretion to respond to customer requirements.

### **Job satisfaction and the psychological contract**

Job satisfaction is the term used to describe the degree of contentment which an individual has with his or her job. Much of this contentment (or otherwise) stems from the way in which the job is designed, which in turn impacts on organisation design. Thinking back to the work of Taylor, cited above, job satisfaction was imagined to be a result of the extrinsic rewards offered to workers in the form of

pay. However, a far better educated twenty-first-century workforce seeks intrinsic satisfaction from the nature of the work itself, recognition, and a sense of achievement, not to mention opportunities for development which a job or an organisation can provide.

Related to job satisfaction is the **psychological contract**. This can be described as a set of unwritten rights and responsibilities which underpin the formal employment contract. These rights and responsibilities work both ways. For example, an employee expects to be treated with respect, to be offered reasonable facilities, and to be able to express his or her views without fear of management reprisal. Equally well, the organisation has a right to expect employees to give of their best while at work and to promote the interests of the organisation.

It is symptomatic of the psychological contract that it is rarely of much interest to either party until one side believes that it has been broken. When this occurs, a sense of betrayal ensues, which can damage or completely break down levels of trust. Such damage can adversely affect employee performance, and therefore organisational performance, remarkably quickly.

The implication for organisation design is that jobs should be designed in such a way that they provide appropriate levels of satisfaction. Attention must also be paid to specialisation or generalisation of skill. Organisation designers should ensure that any changes are carried out, as far as possible, in accordance with the psychological contract as well as with the formal one.

### **Commitment and employee engagement**

Typically, organisations seek a certain level of commitment from their staff, depending on the organisation's strategy. A low-commitment organisation will expect high levels of labour turnover and invest minimally in training. A high-commitment organisation will act in the opposite way. Note, however, that some parts of the organisation may operate a high-commitment strategy while other parts operate a low-commitment strategy.

Employee engagement has aroused considerable interest in recent times and is promoted as a desirable state for organisations to attain. However, employee engagement is a contested topic. When the UK Government sponsored the Macleod Report (Macleod and Clarke 2009), the authors found more than 50 different definitions of employee engagement! To take just two examples, Alfes *et al* (2010) believe that employee engagement consists of a mix of intellectual, affective and social engagement with work. On the other hand, Macey and Schneider (2008) refer to state engagement, behavioural engagement and trait engagement. Many consultancy providers offer to measure levels of employee engagement as a prelude to consultancy **intervention** designed (usually) to increase employee engagement.

Whatever the levels of commitment and employee engagement, organisation designers need to take account of how their work will impact on these factors.

## Working with others, communication, power and politics

Organisations are not – despite frequent rhetoric to the contrary – places where everyone uniformly agrees on the ends or the means. They are spaces in which different individuals and factions compete for their own agendas, and where alliances are formed and reformed in order to promote or defend these interests.

Communication plays a key role in helping to resolve some of these tensions, but organisation designers have to be aware of the range of power relationships which exist within the organisation and to develop their negotiation skills in order to achieve their aims and not be blown off course by factional interests.

A key skill here is networking. Networking within and between organisations is seen as an essential attribute in organisation design: ‘Without a doubt, collaboration is the most important capability for any organisation to possess today’ (Shuman and Twombly 2010, p1). However, as Shuman and Twombly go on to point out, ‘Few executives believe their organisations are good at collaborating with other firms, or that they personally have a good understanding of how to create value in networks. By and large they generally understand that they must embrace collaborative networks – they just don’t know how. Thus, at present there is a disconnect between what is being said and the reality of what is happening in many organisations. There is no doubt, however, that we are in a time of profound transformation in ways of working, creating value, structuring and managing organisations.’

## ORGANISATION DESIGN MODELS AND TOOLS

Many attempts have been made over several decades to show how the factors referred to above can be integrated into an overarching view of organisation design. Such attempts usually take diagrammatic form and can be classified under three broad headings.

### STATIC ORGANISATION DESIGN MODELS

These identify a range of factors which can be reviewed as influential on organisation design. As in Figure 1.7 below, such diagrams often position leadership at the centre, suggesting that the role of leadership is to orchestrate the various other factors in order to achieve organisational effectiveness.

Such models are often used by consultancy firms as an overview of organisation design, and each factor is then the subject of a specific diagnostic tool which sets out to identify the current state of the organisation in respect of each factor. Examples of this type of approach include Galbraith’s (1995) star model and McKinsey’s 7-S model (Waterman *et al* 1980).

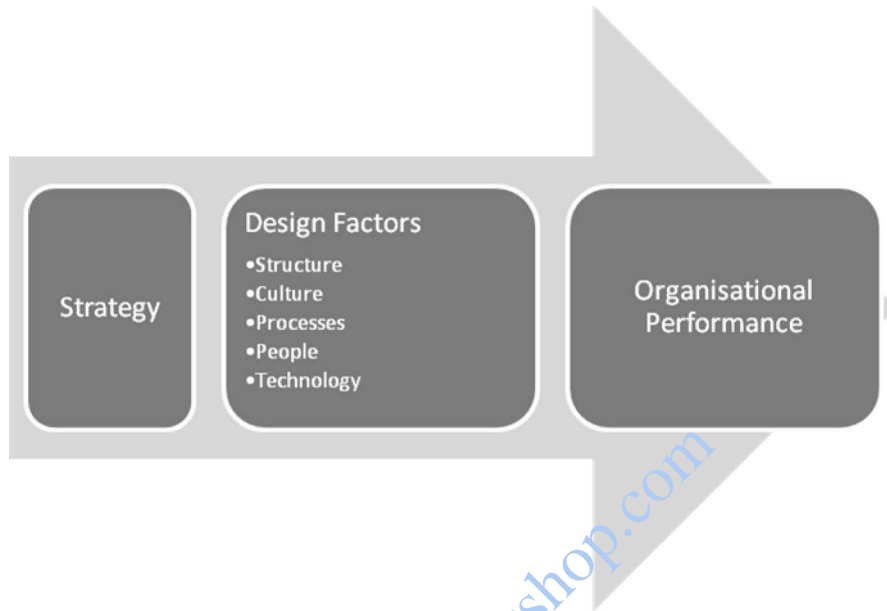
Figure 1.7 A typical static organisation design model



#### DYNAMIC MODELS OF ORGANISATION DESIGN

Dynamic models view organisation design as a transformation process rather than as a series of factors to be orchestrated. The key input in most of these models is organisational strategy, and the key output is organisational performance. The key role of leadership is therefore more cybernetic, using strategy to steer the organisational performance through a range of factors. Examples of this type of model include Weisbord's (1976) six-box model and Burke and Litwin's (1992).

Figure 1.8 An outline dynamic model of organisation design



#### ECOLOGICAL MODELS OF ORGANISATIONAL DESIGN

The starting point for this category of diagrammatic view is that each organisation exists within, and is influenced by, its specific environment. It is also true to suggest that the organisation in turn influences its environment. Organisations can influence the educational environment by providing apprenticeships and placements for students. They can influence the built environment – for example, ‘company towns’ where they are the dominant employer. They can even, through lobbying activity, influence the legislative environment in which they operate, either directly or through trade associations. Examples of ecological views of organisations include McMillan’s (2000) fractal web and the holonic enterprise (Ulieru *et al* 2002).

#### THE ROLE OF HR IN ORGANISATION DESIGN

Organisation design is a concept that consists of the business strategy, the business structures, processes, systems and performance measures. Many of these aspects are dealt with under the general headings of ‘business management’. However, for an organisation to achieve its goals, ambitions, targets, or simply to survive, it requires input in the form of HR functions and processes.

Many organisations, particularly small and medium-sized enterprises (SMEs), do not have an HRM department. However, the same input of HR functions and processes still have to be implemented. So whatever the size, type or location of an organisation, the organisation design within any business requires support from a whole range of HR functions. For example, if an organisation chooses or finds itself controlled by bureaucracy, it will require specific and carefully chosen

communication methods to ensure that all relevant information is cascaded both down and up through the layers of management. On the other hand, if the organisation is a flat-structured business, it will require communication of a more horizontal nature, coupled with a strong notion of teamwork.

HR facets can be split into two separate and quite often distinct categories. Firstly, there are strategies, functions and processes that are performed by HR and can be categorised as tangible. For example, a reward policy could be drafted up whereby employees would know that if they performed to a given standard, they would receive a pre-designated reward. In addition, there are intangible aspects that HR has to take control of. For example, HR would implement its reward strategy, coupled with job design, working hours and flexible working methods, which all relate to the psychological aspect of the employee. These psychological aspects all affect an employee's attitude, which then directly affects the performance of the employee. To confirm, employee reward is both a tangible and intangible function. It is tangible in that it is an official policy with formal processes. In addition, it is intangible in that it affects the attitude and motivation of employees working within the organisation. Both tangible and intangible aspects have strong influences on the successful workings of organisation designs.

To expand on this point, look at the following examples.

The HRM department convinces management to invest in an intranet system. All relevant information, news and current events within the business are detailed on the intranet. In addition, the organisation invests a large sum of money in a new piece of IT software that allows employees to upload and share ideas and information relevant to their job role. However, if employees are feeling demotivated or are not engaged in their jobs, or do not feel committed to the organisation, these investments are a waste of money. Employees will not share their knowledge – they will not even bother looking at the intranet, and they will often not even read their emails. So whatever processes or systems the business has in place (tangible), employees need to be motivated to a level where they will utilise properly (intangible) investments made by the organisation.

Another simple example would be if a company with a matrix structure had a very important project with tight deadlines. Project management relies heavily on teamwork, communication, knowledge-sharing and leadership (tangible processes). It can be argued that how and to what extent these processes are utilised depends on the attitude of each employee (intangible). An employee with a positive attitude is far more likely to communicate and work with other team members than an employee with a negative attitude.

Table 1.1 details the main HR functions and processes that nearly all organisations have to consider. Some functions are quite obviously a formal function or process – for example, creating a job description or a formal selection process. On the other hand, a number of HR responsibilities fall under more informal criteria. For example, there is no one single process or system that would commit employees to the organisation. Similarly, there is no one formal function that ensures that an employee's psychological contract is in place. These

employee attitudes are controlled by a combination of other HR functions. For instance, the reward package, the management style and the job design all have an impact on an employee's level of commitment.

So the column in Table 1.1 headed 'Formal process' indicates whether the HR function involves a tangible process that could be documented and audited to ensure compliance with the process.

The column headed 'Enabling others' refers to functions that affect an employee's attitude and/or behaviour (intangible). These intangible functions can be present within a tangible relationship.

The 'Outline' column identifies a basic description of what the function is intended to do.

The 'Link with OD' column indicates which OD components the function is *most* connected with. This column is subjective and should be viewed as such. It is arguable that most of the functions have a direct or indirect link with all of the components of OD.

To help you understand the importance of some of these functions, think how an organisation would perform if these functions were not in place.



### REFLECTIVE ACTIVITY

- Consider how an organisation with a matrix structure would survive if employees refused to communicate and work with each other in teams.
- 1 What are the implications for an organisation that does not have clear job descriptions?
  - 2 What are the implications for an organisation of having employees who are not committed, engaged or satisfied in their work?
  - 3 What are the implications for an organisation that does not train or develop its employees?

Table 1.1 HR functions and processes

Facet of HR	Formal process	Enabling others	Outline	Link with OD
1 Communication	X	X	Ensure that employees are aware of organisation goals Correct and suitable information timely must be communicated to wherever it is required within the structure of the business Ensure that employees are willing and able to communicate	Business strategy and goals The psychological aspects of OD Structure of the organisation Processes Design model Systems

Facet of HR	Formal process	Enabling others	Outline	Link with OD
2 Teamwork	X	X	Ensure that policies are in place allowing employees to participate in teamwork both between and within departments – e.g. functional or geographical structures Ensure that employees participate in teamwork allowing all to work towards achieving organisational goals	Achieving business goals Supporting the structure Psychological aspect of OD Processes Design model Systems
3 Recruitment and selection	X	X	Ensure that policies and processes are in place guaranteeing that the organisation has the right number of employees with the required capabilities and competences	Achieving the goals of the organisation Processes within the OD Processes Systems
4 Engagement	X	X	Implement policies and practices that allow employees to feel engaged in their jobs	Achieving the goals of the organisation Psychological aspect of OD Processes Systems
5 Performance management	X	X	Ensure that policies and practices are in place enabling line managers to suitably performance manage their employees. Ensure that goals and objectives are aligned with organisational objectives	Business strategy and goals Processes Design model Systems
6 Alignment – internal/ external	X	X	Ensure that all HR functions are aligned with the business strategy and that relevant employees are aware of external influences	Business strategy and goals Design model Systems
7 Authority and leadership	X	X	Depending on the design and structure of the business, HR has to ensure that key employees have the authority they require and ensure that departments are being led in the same direction	Business strategy and goals Supporting the structure Processes Design model

Facet of HR	Formal process	Enabling others	Outline	Link with OD
8 Co-operation or compliance	X	X	Depending on the nature of the job, ensure that employees are at a minimum compliant. Where necessary, HR must ensure that employees co-operate allowing synergy. This can be a source of competitive advantage	Supporting the structure Processes Design model Systems
9 Psychological contract	X	X	The role of HR is to ensure that each employee's psychological contract is in place. This is directly linked to the attitude of the employee that then allegedly controls their behaviour	Psychological aspect of OD Processes Systems
10 Equality, managing diversity, fairness and justice.	X	X	HR should ensure that all employees are treated equally, with fairness and justice. This is required legally and ethically.	Processes Systems
11 Training	X	X	All employees will at some stage require training. HR's role is to determine which employee has what training and who performs the training. This affects the morale, skill and motivation of employees	Business strategy and goals Systems
12 Flexible working	X	X	HR can introduce policies and processes to allow employees to work flexibly. This can include part-time work, working from home or job-sharing. Flexible working also involves implementing a strategy of functional, financial or numerical flexibility, depending on the design, nature and structure of the business	Supporting the structure Processes Systems

Facet of HR	Formal process	Enabling others	Outline	Link with OD
13 Reward	X	X	HR's role is to implement policy and procedures, ensuring that intrinsic and extrinsic rewards are suitably matched to the needs of the organisation and employees. HR would also ensure that the goals and objectives given to employees are directly linked to achieving the organisational goals	Business strategy and goals Supporting the structure Processes Systems
14 Knowledge sharing	X	X	HR would implement processes and ensure that employees are suitably engaged so that employees would share knowledge with other relevant departments and employees	Psychological aspect of OD Processes Systems
15 Change management	X	X	In times of change, HR would ensure that employees are not only able to change their job roles, etc, but that they are willing to change	Psychological aspect of OD Supporting the structure Processes Design model Systems
16 Making a difference	X	X	Part of the psychological contract is that employees want to feel they make a difference. HR's function here is to introduce systems that allow employees to identify the contribution they make to the company	Psychological aspect of OD
17 Job role/ description	X	X	HR needs to identify the specific requirements for each and every job within the organisation. This is then used as a management and legal document to ensure that employees are clear on what their roles are. Job descriptions are also used in recruitment. They allow possible new recruits to clearly see what their role would be within the organisation	Business strategy and goals Supporting the structure Processes Design model Systems

Facet of HR	Formal process	Enabling others	Outline	Link with OD
18 International HR – culture	X	X	With many companies now being global, HR need to ensure staff are aware of cultural issues affecting the business in any one location. HR also needs to identify whether the organisation undertake an ethnocentric, polycentric, regiocentric or geocentric staffing policy	Psychological aspect of OD Supporting the structure Design model Culture
19 Problem-solving	X	X	HR would ensure that processes and rewards are in place which encourage employees to proactively participate in problem-solving. HR would ensure that staff have the correct attitude and ability	Psychological aspect of OD Processes Systems
20 Innovation	X	X	Similar to problem-solving, HR would ensure that relevant staff have the competences to be innovative in their job. HR would ensure that rewards are linked to innovation, as long as the innovation is linked to achieving organisational goals	Psychological aspect of OD Supporting the structure Processes Design model Systems
21 Management	X	X	HR would ensure that training and development policies and processes are in place. HR's role is to recruit and develop staff in such a way that enables them to manage other staff in a suitable and correct manner	Business strategy and goals Supporting the structure Processes Design model
22 Redundancy	X	X	As and when required, HR would oversee any redundancy process. HR would look at redeployment, assistance in locating other work, the levels of redundancy payments and ensure that the remaining workforce remain motivated and engaged with the business	Business strategy and goals

Facet of HR	Formal process	Enabling others	Outline	Link with OD
23 Outsourcing	X	X	The design and structure of the business may make it necessary to outsource particular job roles. HR would oversee this process and ensure that all policies and practices are in line with the needs of the organisation	Business strategy and goals Supporting the structure Processes Systems
24 Health and safety	X	X	This is a crucial aspect of HR. Health and safety only becomes an issue when something goes wrong. HR needs to ensure that all staff are suitably trained and informed on health and safety issues. HR also need to ensure that the organisation complies with all relevant health and safety regulations	Processes Legal requirements
25 Organisational commitment	X	X	Implement policies and practices that allow employees to become committed to the organisation	Psychological aspect of OD Processes



## REFLECTIVE ACTIVITY

- From the list of functions described in Table 1.1, for a company that you work for or know quite well, identify the five most important and five least important with regard to affecting the performance of the organisation.
- 1 Now explain why you have chosen these functions.
  - 2 Does it make a difference which structure or overall design the company has as to what are the most and least important HRM functions?



## REFLECTIVE ACTIVITY

As mentioned, many of the functions performed by HR have an intangible affect on organisation design. These effects can be both direct and indirect. For example, a communication process will have a direct effect on the workings of the design of the company. In addition, an employee's attitude to using the communication system will have an indirect effect on the success of the organisational design.

- Have a look at the 25 functions listed in Table 1.1 and identify the ones you think are the top five employee 'motivating' functions.
- Identify five functions in Table 1.1 that Herzberg would classify as 'hygiene' factors. (NB: A hygiene factor is something that does not motivate, but that if it is not there, can

demotivate – for example a faulty flickering light can demotivate you in that it can distract and annoy you. However, a light that does not flicker does not motivate you to work harder. So lights that are in correct working order are hygiene factors.

- 1 Reviewing your answers to the two Reflective Activities prior to the one immediately above, can you spot any pattern or similarities within your answers?
- 2 Are formal functions/processes more important to the workings of the organisation design, or are functions that enable employees the more important ones?

### SUMMARY OF THE HR ROLE

HR strategies, functions and processes (HRM) have both a direct and indirect effect on how organisations design their business. Additionally, or perhaps more importantly, HRM has both a direct and an indirect influence on whether the organisation design underpins success. It is argued by many that HRM is the last remaining source of competitive advantage. For this reason, HRM cannot be ignored when designing an organisation.

### SUMMARY

We started this chapter by considering what an organisation is. We then provided some historical background before highlighting more recent models and explanations for organisation design. Perhaps one point to bear in mind, though, is the application of these models to the contemporary business environment. In the UK, for example, 99% of organisations fall with the category of small to medium-sized enterprises, approximately 70% having fewer than 10 employees. Yet most of the research tends to focus on larger organisations. Also, the increase in the number of companies opting to outsource some functions can also impact on the design of organisations. Core functions which are strategic and essential tend to remain in-house whereas routine, non-core functions are outsourced. Thus, an organisation may well have one type of structure for its core business and another for its non-core business.

As mentioned above, the international dimension is more significant today and organisations will certainly be more global in the years to come. With the emerging economies of India and China it is likely that the structures and designs

that emerge in future years will be very different from what we currently see. Our understanding of these new structures will have to take account of cultural differences, and those that do emerge may also have limited application beyond the country of origin. Weber's bureaucracies are no longer fully applicable to effective organisations. We have also a richer understanding of what motivates people at work and how group dynamics affect behaviour and performance, which in turn shapes organisation design. It is probably fair to say that the behaviours associated with shovelling coal is not as simple as Taylor proposed.



## Covmig Retail Ltd

### CASE STUDY

A major food retailer is losing market share and has spent large sums of money over the past few years attempting to reclaim it. Changes have been made to its reward, advertising and marketing strategies, all to no avail.

The company has realised that rather than looking at other particular strategies, it needs to overhaul and redesign the organisational structure to meet the demands of the twenty-first century.

The company is structured as follows:

Head office 1,000 employees

Distribution centres × 6 1,500 employees

Retail outlets × 500 25,000 employees

Each subsidiary has its specific type of employees. These include low-skilled and low-paid employees, highly-paid executives, core and periphery workers, part-time and full-time workers and blue- and white-collar workers. In addition, employees fall into a wide demographic continuum. They range from students to more mature workers, male and female, and all form a very diverse workforce. All areas of the globe are represented within the workforce. Some employees are also supplied via agencies and employed on fixed-term contracts.

The new business strategy is based on customer service. Head office has announced that all efforts must be

made to provide the best customer service in the food retail industry. Head office has also decided that each distribution centre and each retail outlet must be self-financing and must offer the business a return on its investment.

Sales from the outlets are made up as follows:

Food and grocery 65%

Clothing 20%

Electronic goods 15%

Retail outlets are fined heavily for goods that are returned unsold or sold at below cost price. They are also fined for running out of stock and for having too much stock. Each retail outlet is required to obtain all its produce from one of the six distribution centres.

### Questions

- 1 What form of organisational structure should the company adopt, and why?
- 2 What are the key internal and external factors that influenced your decision?
- 3 What should the key business objectives be for:
  - a) the distribution centres?
  - b) the retail outlets?
- 4 What are the key HR functions/ roles that the business needs to concentrate on to ensure that the new design has a chance of

succeeding and that each objective is achieved? Think about this from a short- and long-term perspective.

**Now that you have answered the above questions, consider the following – there is no need to write anything down, you just need to think about it.**

Of all the organisations you know, how many of them do you think were designed in a strategic and well thought out manner – or do you think some organisations evolve into their designs over time?



## FURTHER READING

### BOOKS

BHATTACHARYYA, D. K. (2009) *Organisational Systems, Design, Structure and Management*. Mumbai: Himalaya Publishing House. An excellent overview of organisation design, and available as an e-book.

HANDY, C. (1999) *Understanding Organisations*. Harmondsworth: Penguin. The ultimate classic study of organisations and a staple for many years. Handy writes in a very accessible yet well-informed way.

MCNAMARA, C. 'Basic Definition of Organization' <http://managementhelp.org/organizations/definition.htm#anchor424230> [accessed 10 February 2012]. Provides some of the core fundamentals of organisation design.

SCHEIN, E. (1990) Organizational culture. *American Psychologist*, Vol. 45, No. 2, 109–19. The classic work on organisational culture.

TAYLOR, F. W. (1947) Scientific management, in *Scientific Management*. New York: Harper & Row. 39–73. Taylor's work has been so influential that it is worth looking up the original article to see what it is all about.

### WEBSITES

International Labour Organization website: <http://actrav.ilo.org/actrav-english/learn/osh/ergo/ergonomi.htm>. Part of the United Nations, the International Labour Organization is a treasure trove of HRM research

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## CHAPTER 2

# Organisational Development

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### CHAPTER CONTENTS

- Introduction
- What is OD?
- The historical basis of OD
- The role of the OD practitioner
- Understanding the OD process
- Practices, models and approaches
- The role and purpose of OD interventions
- Summary

### KEY LEARNING OUTCOMES

By the end of this chapter, you will be able to:

- Analyse the underpinning history, theories and principles of organisation development.
- Describe and explain the organisation development process.
- Evaluate various organisation development practices, models and approaches.
- Discuss the value of organisation development interventions to business performance and productivity.

### INTRODUCTION

This chapter introduces and examines the concept of **organisational development** (OD) and its role within the management of organisational change. It commences by introducing the concept of OD and includes definitions of its characteristics and those required of OD practitioners. The chapter then moves on to provide a historical insight into the emergence of OD, the role of the OD practitioner in