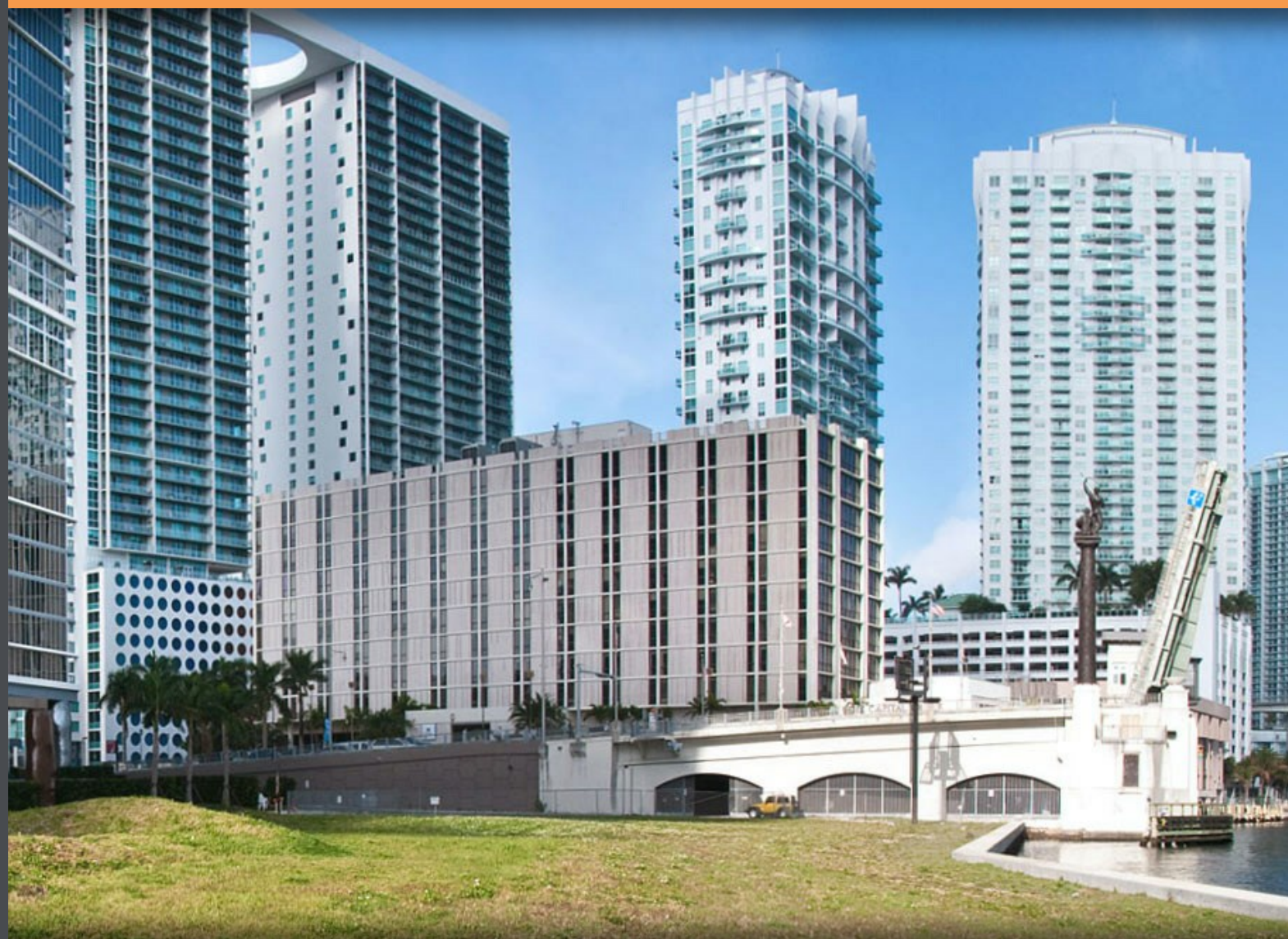


What do Organisations look like?

Understanding Organisations

Tony Greener



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Tony Greener

Understanding Organisations – What do Organisations look like



Understanding Organisations – What do Organisations look like

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The advertisement features a large orange circle on the left containing a word cloud of IT-related terms such as 'GO MOBILE', 'TIBCO', 'HELLO INDIA', 'TECHNICAL', 'MANAGEMENT', 'MIGRATE', 'THE BANK', 'NOT JUST THE DATA', 'HELLO WORLD!', 'SYSTEM OUT-PRINT', 'CHAT WITH GURUS', 'BANKING IN THE CLOUD', 'MORE DATA LESS Hassle', 'TRAINEE SHIP INFORMATION TECHNOLOGY', and 'YOU ARE HERE' in the center. To the right of the circle, the text reads: "The chance to create a new way of doing business" followed by "Leendert Kalfsbeek, trainee Information Technology, ING". Below this, the headline "Kick-start your IT career" is displayed in orange. The body text states: "We believe that in the future banking more and more depends on IT. Would you like to know more about our IT ambitions and innovations?". A call to action says: "Join the IT Inhouse day on 16 May! Sign up [here](#) before 10 May". The ING logo is in the bottom right corner.

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ING 

Business Management

1 Characteristics of work organisations

List of topics:-

1. Characteristics of an organisation
2. Mintzberg's organisational structures
3. Mintzberg's coordinating mechanisms
4. Centralised and decentralized power.
5. Formal and informal organisations

1.1 Introduction

There are many different types of organisation, none of them necessarily the best or the worst but all geared towards enabling an organisation to achieve its objectives as quickly, easily and inexpensively as possible. Most management writers have offered differing views on which types of organisation can work best in which contexts. All these views are valid but some may not be as appropriate to certain kinds of organisation as others. Issues of power and formality, debates about the best type of organisation for public or private sector and whether the organisation has a centralised or decentralised structure and, therefore power base, are all key to deciding what kind of organisation we work for or are acquainted with.

These are the areas we shall explore in this first chapter by the conclusion of which the reader should be able to determine differing types of organisation, determine key aspects of those organisations and decide which variant is best suited to which specific purpose

1. Why have an organisation?

Because nobody can do everything themselves. Imagine if Richard Branson had never delegated anything to anyone else, where would Virgin be now? This chapter introduces some of the main reasons why organisations have evolved and how they have developed for specific purposes.

2. What sort of organisations are there?

Many different types. There is no right and no wrong structure for an organisation. The main thing is that it does its job effectively, and reasonably economically. Lots of management writers have had strong views about organisations over the years. Here are a few of the best known for you to consider.

Henry Mintzberg, a notable management writer for the past 30 years or so is a good place to start.

Mintzberg said that most organisations have five main parts.

1. The Operating Core – which is, in other words, the bit that does the work. People who make the product or who provide the service. Some organisations have almost nothing else except an operating core; they are usually smaller organisations in the private sector who need to keep costs and overheads down to a minimum.
2. The Middle Line – which is the section in the middle of an organisation where the middle managers lurk. As an organisation grows, it is often difficult for one person to effectively oversee everything that is going on. Hence middle managers have been created to manage the junior managers and take directives from the more senior managers
3. Technostructure – this is not a term with which everyone agrees but Mintzberg used it to refer to the people who decide how best to do the jobs. Sometimes this involves technology – selecting a certain type of computer system for example – and sometime it involves deciding how work processes are defined, standardized (so that everyone works in a best way) and refined for further improvements. Often the work is intangible if, for instance, a Human Resources (HR) manager wants to standardize skills in a workplace.
4. Support Staff – those who help the Operating Core do its job, or do it better. This might include all sorts of areas for instance, cafeteria, security, HR, legal advisers and so on. Most private sector organisations try to keep these staff to a minimum because they may not directly produce or sell anything and can be seen as a major cost.
5. The Apex – which describes the top of the organisation which decides what it is going to do, how and when. This can be a single manager – who might be an owner – or it can be a series of boards of directors and committees of heads of departments in more complex organisations. However it is structured it provides the strategic direction for an organisation – in other words where it wants to go and how it is going to get there. Sometimes known as the Dominant Coalition – the few people who really drive the organisation forward.

As a general rule, the apex, middle line and operating core are known as line positions while the technostructure and support staff are known as staff positions. Line people work directly on the organisation's business, staff people advise the line people about how to best go about the job.

Stop and Think

What kind of organisation do you work for described in terms of Mintzberg's typologies? What leads you to this conclusion? How well do you think it operates? Why?

Mintzberg also goes on to show how different types of problem facing an organisation can result in different ways for solving the problems through organisational means. He called this coordinating mechanisms and they are:-

1. Mutual adjustment – when employees in the operational core cooperate fruitfully with each other.
2. Direct supervisions – self explanatory but costly in terms of managerial time
3. Standardisation of work – through systems and procedures etc
4. Standardisation of outputs – through targets and specifications etc
5. Standardisation of skills – through employees' abilities to achieve a task. May involve further training and managerial input
6. Standardisation of norms – through establishing a common set of beliefs in how tasks are best achieved or approached.

Clearly there are many variations on all these models but they are important because they lay the foundation for Mintzberg's ideas about organisational structural design – or, how parts of the organisation fit in with each other. These, in turn, have lead to many of the theories that we can recognise in organisations all around us today. Broadly, Mintzberg was saying that we can use a number of tools to decide on how to structure our organisation. These include:-

- a) job specialisation
- b) behaviour specialization – that is, who people behave in certain ways to live up a job they have been given
- c) training
- d) indoctrination – that is how people are inducted into an organisation in the first place, their first impressions and subsequent evolving views
- e) unit grouping
- f) unit size
- g) planning and control systems and
- h) liaison devices – such as positions, task forces, cross department committees, integration managers and so on.

Although Mintzberg was writing about these issues in the 1980s, many organisations now use all or part of these theories to decide how to structure themselves for the best results. You may well have encountered them in one form or another in an organisation that you know well.

How does this work in practice?

An example might help to clarify this. Many professional firms – that is, firms employing predominantly professionals such as lawyers, architects, accountants or marketing people – have, intentionally or otherwise, found that they have a very strong base of the operating core. In this case, the firms' best assets are the people within that core who have a sound knowledge of their client base and loyalty levels and couple this with a firm grasp of their own professional expertise, whether it be in law, accountancy or other sphere of activity. Strategic direction is usually provided by the senior members of this group – often known as senior partners. Support services are usually provided by a “back-room” team of support staff in areas such as computer systems, financial control, security, catering and so on.

So, in many ways, all Mintzberg is suggesting is that we use common sense to structure and run an organisation. That does not mean that all organisations even recognise, let alone harness, common sense however.

Test yourself

How do you view the ways in which Mintzberg's issues described above, apply to your own organisation?
Can you suggest valid ways in which it could be improved?

What is the virtue of having a strong strategic direction?

What is the best coordinating mechanism in your view and why?

Power – centralized or decentralised?

There is no easy answer to this dilemma. In some organisations, power is concentrated in one person or one board or committee – and is, therefore centralised. In others, such as accountancy practices, it is spread around a number of senior partners who all have to agree a policy before it is adopted – therefore decentralised. Neither is necessarily better than the other; it all depends on what the organisation is and how it proposes to achieve its objectives.

There are some rather less complicated writers on organisations than Mintzberg – although most of them take Mintzberg as a starting point – and one of these well worth reading is Laurie Mullins. In his book “Management and Organisational Behaviour” originally published in 1985 and since re-issued almost annually, he discusses different types of organisation and suggests that, no matter what they are set up to do, they all have one thing in common.

That “thing” is best expressed in his own words; “Interactions and efforts of PEOPLE to achieve OBJECTIVES channelled and coordinated through STRUCTURE directed and controlled via MANAGEMENT” (Mullins 1996).

Here, in a nutshell, is the use of organisations. Re-expressed, this effectively means structures which can achieve what the key stakeholders want them to achieve.

1.2 Formal and informal organisations

A lot has been written about the differences between formal and informal organisations over the past 20 years. While much of it is worthy, some of it can be ignored as too esoteric or complex for the purposes of this book.

Fundamentally, the difference comes down to planning for the future. The FORMAL organisation plans changes (sometimes relentlessly) if necessary, coordinates its activities well and is usually structured in a hierarchy.

The INFORMAL organisation is looser, more flexibly structured, has less well defined relationships and can be more spontaneous.

There are many examples of these differing types of organisation but two will help to explain how they work in practice

Making it work

ICI, well-established and respected for decades of success, is a good example of a formal organisation, unafraid of changing most aspects of its business if the need arises. Recently, for instance, it announced half year profits in excess of £700 and promptly announced that it was then going to reduce the headcount in one central department in London by 50% to save costs. The strength of its structure and its reputation as a firm which knew its way around management allowed this to happen without a murmur of criticism, even from those losing their jobs.

Saatchi & Saatchi on the other hand, although highly regarded in the marketing field, has a shorter heritage than ICI and, when embarking upon a minor change programme late in the 1980s, discovered that, once one aspect of the business was changed, there were inevitable consequences for much of the rest of the business – which then also had to be addressed. So, what began as a minor adjustment, led rapidly to a continuous carousel of change involving mergers and acquisitions (during which different sections of the agency sometimes found themselves competing for new business with other sections of the agency) as well as re-structuring in an attempt to preserve and heighten the flexibility of the business.

Both organisations are well regarded in their own right and both are undeniably successful but the situation in which Saatchis found itself would never have happened at ICI who would have anticipated the issue and taken action to pre-empt any problem.

Stop and Think

Why do you think ICI and Saatchi behaved so differently? Which one would you have preferred to work for at the time and for what reasons?

1.3 Private and public sectors

So, do organisations exist in both these sectors? Yes, they do.

What are the differences?

Mainly, differences are centred around profit. Private sector organisations – firms, companies, businesses etc – exist to make a profit, to enable their employees and shareholders to live. Public sector organisations – local authority councils, health trusts, police forces, schools and colleges – exist to provide a service for the citizens of a country (in theory at least) either free of charge or at a modest fee.

The barriers between the two have been blurred over the past 20 years by increasing cooperation between the two sectors. The wave of privatisation in the 1980s in the UK saw a number of hitherto public enterprises and utilities – such as gas, water, telephones and electricity – being privatised. Usually, the reason was to increase efficiency and allow access to these huge areas for private investors in an attempt to increase the shareholding population.

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The results have been mixed with some organisations benefiting greatly and others struggling with their new-found freedom. Moreover, these essentially political actions tend to go in cycles. The 1980s privatization wave followed its opposite almost exactly 40 years earlier when the post-War Labour government embarked upon a series of nationalisation projects – also involving areas such as railways, gas, electricity, coal and water. Maybe in another 40 years' time it will all change again.

1.4 Primary activities

These can be classified – and have been by Katz and Kahn (Mullins P. 79) – into four main types.

1. Productive – concerned with creating wealth by either manufacturing goods or selling services to the public
2. Maintenance – concerned with keeping things going such as schools or churches
3. Adaptive – exploring new areas such as in research establishments, some universities and government departments
4. Managerial (also sometimes known as Political) concerned with governance, political pressure groups – often voluntary such as the Countryside Alliance or the RSPCA – and concerned with adjudication and influencing human behaviour on a relatively large scale.

1.5 Task organisations

There is another way of describing organisations which helps us to understand them and that is by describing their task, which is often goals-led.

- Task – the goals of the organisation – what it is expected to do or to achieve
- Technology – the manner in which it carries out this task; not necessarily all the computerised systems, although these can come into that definition
- Structure – how the organisation is set up and how the lines of communication work between differing sections
- People – what kind of attitudes, skills, needs and expectations the employees might have
- Management – how tasks are decided, organised and achieved, and how the strategy of the organisation – the overall direction in which it is going – is determined and driven.

There is a famous overall view of organisations – first put forward by the management writer Peter Drucker. In it he compares organisations in the later twentieth century with surgeons in the eighteenth century:-

“Until well into the seventeenth century, surgery was performed not by doctors but by barbers who, untaught, applied whatever tortures they had picked up during their apprenticeship. Doctors were too “ethical” to cut into their patients and were not even supposed to watch. But the operation, if performed to the rules, was presided over by a learned doctor who sat on a dais and read out loud what the barber was supposed to be doing from a Latin classic – a language the barber could not understand. It was, however, always the barber’s fault if the patient died but the doctor’s achievement if the patient lived. And, whether the patient lived or died, the doctor took the larger fee anyway.

There is a resemblance between surgery 400 years ago and the state of organisations until recently. There is no shortage of books in the field – quite the opposite – and organisation theory is the main subject taught in many management schools. There is much value in these books and courses, just as there was in the Latin texts on surgery. But the practising manager too often feels like the barber must have felt. It is not that he resists theory; most managers have learned the hard way that performance depends on proper organisation. But the practicing manager does not often understand the organisational theorists and vice versa.” (Handy P. 12)

Some modern managers may well sympathise with this view.

Charles Handy was also one of the first thinkers and writers to see that both internal and external factors can heavily influence the performance of an organisation, in any sector. He listed over 60 internal factors alone (Handy P. 13) ranging from history to the types of technology used. The number of external factors is, of course, almost infinite and is demonstrated by the ever increasing use of a widening selection of business environment analysis tools.

Indeed, Handy also devised a method of using organisational theory for the benefit of the organisation and its stakeholders based on a series of assumptions. These assumptions, he argued, ought to be able to help an organisation explain its past, understand its present and predict its future. This in turn he stated would help it to gain more influence over future events and thus reduce the disturbance to itself from the unexpected. It is, in essence, a parallel theory of why history is useful when taught in schools – because, by learning from the past we can begin to identify trends and even predict the future.

There is also a good deal of book space devoted to what are commonly called “Organisational Problem Solving Models”. Some are very good, and some are very complex; all should work in certain circumstances. Perhaps one of the best known and most serviceable is the one simplified by Silberger (P. 104–7) which translates into:-

- problem definition
- analysis
- action planning

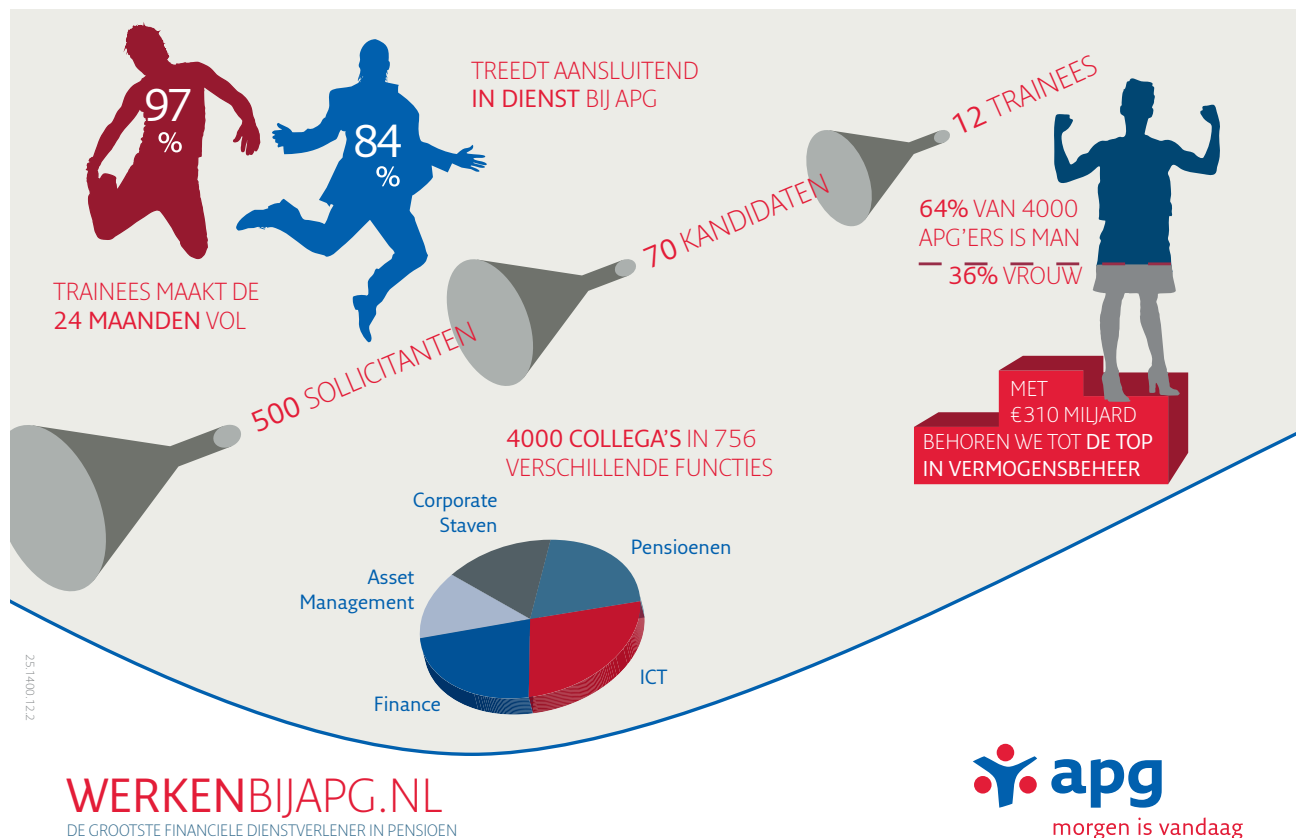
which sounds perfectly logical. It is even more logical when the detail is examined further. For instance, it starts with something called a “Want-Got Gap” which you might struggle to find in many management text books. Put simply, this is:-

I Want – (gap) – I Got.

Not rocket science as anyone who has ever found a shortage of pocket money will recognise. It then goes on to drown in an almost impenetrable morass of management speak before crystallising into the action plan which, while by no means unique, is at least consistent with most other action plans that are currently floating around the world.:-

- set specific goals
- define activities, resources and responsibilities
- set a timetable for action
- forecast outcomes and develop contingencies
- formulate a detailed plan of action
- implement, supervise execution and evaluate.

In a nutshell, this is similar to what most strategic writers would suggest for an approach to strategic planning. The names of the sections vary a little but the sentiment remains largely the same.



There is also a great deal of coverage given to why people behave in the way that they do – thus “organisational behaviour” – but most of the parts which are relevant are addressed in other chapters.

There are many other aspects of organisations – such as structure – which we will examine in later chapters. But, clearly, some kind of management is required to ensure that the organisation does, in fact, do what it is supposed to do. It is this management, in its various forms, which we shall explore throughout the rest of this book.

Making it work

KPMG.

By 1997, KPMG had become the largest professional services firm in the world with over 78,000 staff in 153 countries. Yet it was also facing an increasingly competitive situation globally and needed to develop strategies to cope with changing conditions.

In March 1997 Colin Sharman took over as international chairman. He inherited a powerful workforce, especially at senior level. In the UK alone, for example there were over 600 senior partners who felt they were, in some senses the owners of the business – and to some extent they were. They were skilled, independent, powerful and influential and maintained good relations with their own clients. They were responsible for building their own teams and in many cases they virtually ran their own businesses.

Sharman believed that there were problems in that the clients did not always need the skills that their traditional partner held and that some partners were reluctant to introduce new partners to what had traditionally been his or her client because he or she would lose not just the ownership of the client relationship but also, possibly income.

Another aspect was that KPMG had a matrix structure (see Chapter 3) in which a multitude of different skills was almost hidden from sight. Often, if a problem was encountered, a committee was set up to investigate it – a practice that was time-consuming, unpopular, inefficient and often allowed competitors to move into a traditional KPMG client. There was also a belief that there was too little management control from a centre in KPMG and poor management information systems – a belief which Sharman shared. He also belied that he could often hear people “bragging about the extremely long hours they worked...to reinforce the air of crises that they are managing (but never creating)” Clearly, there had to be a better way of managing the business than this.

Gradually, Sharman was able to change the culture to one of greater cooperation and less confrontation with other partners. The old style of “up or out” management – there were no second prizes if a member of staff was unable to make the senior partner grade, they were simply discarded – was replaced with one which rewarded genuine effort and achievement. And partners were shown how they could retain earning power even when referring clients to other specialist partners. In the process, the structure became more flexible and even more informal, especially in strategic planning terms, although this was probably a side effect rather than a conscious policy shift.

The consequence has been highly successful. Shaman now presides over a giant multi-national professional service provider which nevertheless retains more flexibility than it used to have in the 1990s. Income and profits have grown and the staff retention rate has also been increased – despite the fact that about 70% of the staff are graduates, always notoriously difficult to retain for long.

In essence Sharman maintains, he changed the structure to a more accountable model with himself as a managing director type of figure chairing a management team which makes most of the decisions in a genuinely corporate manner. The partners are still consulted and have to agree – or not to disagree – but they have less immediate power over their individual fiefdoms. But, Sharman also warned it was not just about managing better. It was also about communicating better and capturing and retaining the loyalty of the highly intelligent staff – the hearts and minds as he put it . This is an issue we shall return to again in the course of this book.

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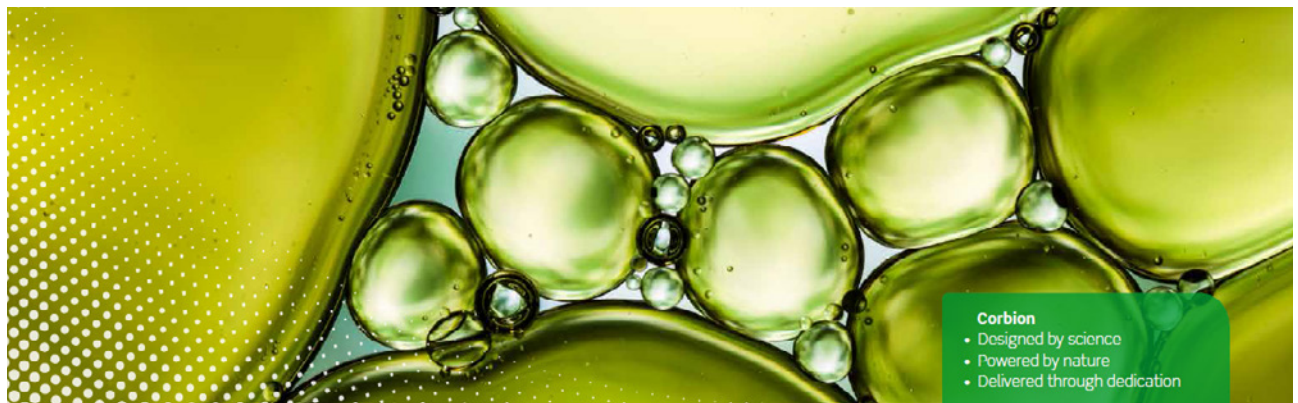
2 Organisational Structure

2.1 Introduction

The structure of an organisation is very similar to that of a house or any other building. Before the building will stand up, it has to be based on solid foundations; so with an organisation. But views on exactly how these foundations and structures should be constructed tend to change over the years.

For instance, my house was originally built in about 1720. When, a few years ago, we wanted to add an extension, the local council insisted that we built it on foundations three metres deep, we were quite surprised. The original part of the house is just laid on the ground, with no discernible foundation at all. Yet it has remained standing, presumably much as it was, for nearly 300 years. So, modern thinking isn't necessarily always the best thinking – although that is the perception in management.

So, what kind of structures are there and how are they changing? How do they relate to the business of management and to what employees actually do in a work place?



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Functions

To start at the beginning, always a good place, structures arise out of **functions**. Functions, in this case, is a word with a specific managerial meaning; the label for a distinct group of activities carried out by an organisation. Usually, they have some kind of “technical” expertise, such as Research and Development, which is likely to be rather more technical – or scientific – than the rest of the organisation. In their own ways, other functions, too, can be relatively technical, Marketing and Sales for instance. Operations or Production, Purchasing, Finance, IT, Personnel and Development can all involve specialised knowledge, skills and experience.

What is not present in this list is anything called “management”. That is because management is given its own, again relatively technical, function, called “general management”. It is seen as being separate from the other major functions (rightly or wrongly) and it incorporates much activity that has to be carried out somewhere in the organisation.

These include:-

- setting strategic direction – where the organisation is going and how it is going to get there
- identifying core values – what the organisation stands for and, equally, what it does not stand for
- leading with vision – to encourage the employees, the customers and the other stakeholders
- setting objectives – the goals of the organisation, or what it is going to try to achieve next
- talking decisions and action to move towards the objectives
- directing, controlling and co-ordinating – moving the organisation towards its goals
- evaluating performance
- reviewing strategic direction

There is quite a lot of work in this. Work which can only be done by people who know what they’re doing and how they’re going about the task. And, life is easier if this can all be done in a structure of some sort.

2.2 Structures

So, what types of structure are there and how do they fit in to the needs of differing types of organisations?

Fundamentally, there are six major types of organisation structure, although there are also many variations on these six main themes.

1. Unitary. Much as its name implies, everything starts from the centre. All function heads report to the top at the centre. So there is a clear and relatively simple line of communication which should encourage easy access to information and quick decision making. There may be a tendency for head of department to consider themselves as departmental chimneys. In other words, if the boss is kept happy, a head of department (HOD) may well be tempted to become something approaching a mediaeval Japanese warlord with little or no consideration for other aspects of the organisation. In that case, fragmentation can and sometimes does occur.
2. Centralised. Here, central policy makers, sometimes sitting on a main board, determine what the organisation is going to do and how and when it is going to do it. The scope for HOD independence is more limited than in the Unitary structure and more control is exercised from the centre. In favour of a Centralised system are strong control, standardisation of processes and norms, a vigorous brand image and the profitable use of expertise at the centre of the organisation. Against it, there is sometimes a concern that it might constrain local management and restricts management creativity, can imply that there is only way to do things and to further imply that that is the only right way, which is hardly ever true and that there can be an overstuffed and expensive central office which swallows a good deal of overhead but may contribute less than its fair share of work.
3. Decentralised. As the name again implies, this is an organisational structure in which a good deal of responsibility is devolved from the centre to the regions, or the divisions. In this type of structure, the separate strategic business units control their own plans but have aspects such as financial controls and, perhaps, strategic direction imposed on them from the centre. Advantages include the delegated authority, which makes many managers of decentralised units feel as though they are running their own business, a closeness to the customers which can be very helpful, higher levels of creativity in solving problems, a lower central head count and consequently, lower overheads. Disadvantages might include little support from the centre, some units may not be able or willing to work together and can compete for the same contract, while financial and human resources may not be used most cost effectively, throughout an organisation.
4. Divisionalised. This is similar to the decentralised structure but has the added feature of ensuring that all divisions have adequate resources which, in a Decentralised structure, might have to be shared. Thus, all will have their own finance, planning and HR support and may also enjoy their own dedicated Sales and marketing functions as well. Thus, the organisation becomes a network of self standing business units which can operate almost independently of one another, with little or no commonality needed or encountered. Disadvantages include the frailty of a number of smaller units with little or no cooperation while centralised policy can still overrule it and render its progress null and void.

5. Matrix. An overused word, the Matrix has a particular meaning in structural terms. In organisational structure terms, Matrix is the version in which staff from different function work together on projects in a matrix pattern. So, a finance manager can cooperate with a sales person to secure a new contract or to rescue the costs of serving a client. The benefit is that the organisation can respond quickly and effectively to changing demands from either a client or the business environment. In the process, the skills and experience of the team can be developed and honed quickly and successfully. Against this, there can be confusion on reporting conflicts and the organisation can appear to be fragmented and constantly in a state of flux – but, then many organisations are constantly changing anyway.
6. Finally, the Process structure. As the name suggests, the focus here is on the process of how to go about the work, usually in a smooth, almost horizontal way. There is often virtually no vertical function in that, provided a team keeps its clients and other stakeholders happy, it is left alone to get on with its job. This type of structure can enhance cross functional working and general cooperation. On the downside, it can also result in the work flow being regarded as more important than the end product, so quality can suffer. Responsibility can also be diffuse, which can be disadvantageous to some – employees and customers alike. Perhaps the major issue is that the vertical chimney effect can blind managers to the possibilities of stronger cooperation, tighter cohesive strategic thinking and the benefits of centralized, corporate planning.

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INNOVATIES DIE WERKEN

Mensen, organisaties en onze samenleving bepalen uiteindelijk welke innovaties voor hen van groot belang zijn en op welke wijze ze daarmee kunnen en willen werken. Daarvoor heb je innovaties nodig, maar ook veel kennis van menselijk gedrag - zowel individueel als in teams - van organisaties, maar ook van de stuwende kracht achter maatschappelijke processen. Die kennis levert het expertisegebied Earth, Life and Social Sciences.

Zo'n 1300 mensen variërend van onder meer moleculair bioloog, chemicus, ICT'er, bedrijfskundige, wiskundige, psycholoog en aardwetenschapper zijn hierbij betrokken. Juist de synergie van creatieve combinaties van vakgebieden maakt het ons mogelijk om uitdagende problemen voor onze klanten aan te pakken en helpen op te lossen.



Putting it into practice

Think of an organisational structure. How do you recognise it? Take a university. It has buildings, people, roads, playing fields and other facilities. Does that make it a structure? Or, does its structure emanate from the intellectual capacity with which its inhabitants are blessed? The Open University, for instance has very few buildings or other physical manifestations, yet it has survived for years as a university. What does that tell us about structure?

Jackson and Carter (2000, pages 34–52) go on to even more challenging questions. For example they pose the question, once all the people have gone home at the end of the day does that mean the university only exists during the day and ceases to exist at night? Of course, it does not. But it doesn't operate as a structure at night. So, a structure must have some kind of existence that is not bounded by time or space.

All these types of structures beg the question which we ought to address; what is structure for? Wouldn't life be simpler and easier without it? Isn't it just another way by which bosses control us?

Well, No and No. Life would actually be far more complicated without a structure. Where would we turn for help or direction? How would we know what to do or whether what we have already done is right?

This was put into verse rather successfully by Bertie Ramsbottom and Ralph Windle a few years ago in a poem entitled "The Job Description":-

I trod, where fools alone may tread
To speak what's better left unsaid,
The day I asked my boss his view
On what I was supposed to do;
For, after two years in the task,
I thought it only right to ask
In case I'd got it badly wrong
Ad-hoc'ing as I went along;
He raised his desultory eyes
And made no effort to disguise
That, what had caused my sudden whim
Had equally occurred to him;
And thus did we embark upon
Our classic corporate contretemps
To separate the fact from fiction
Bedevilling my job description.
For first he asked me to construe
A list of things I really do;

While he – he promised – would prepare
A note of what he thought they were;
And, with the two, we'd take as well
The expert view from Personnel,
And thus eliminate the doubt
Of what my job was all about;
But when the boss and I conflated
The tasks we'd separately stated
The evidence became abundant,
That one of us must be redundant.
For what I stated I was doing
He claimed himself to be pursuing;
While my role, on his definition,
Was way outside my recognition.
He called in Personnel to give
A somewhat more definitive
Reply, but they, by way of answer,
Produced some vague extravaganza
Depicting in a web of charts
Of tasks, the boss and I agree
Can't possibly refer to me;
So, hanging limply as I am
In limbo on the diagram,
Suspended by a dotted line
From functions that I thought were mine
I feel it's maybe for the best
I made my innocent request;
I hopefully await their view
On which job of the three I do.

So, most managerial support depends on structure; most employees depend on structure because we all want to know where we stand in work as in life. And managers – or others – would find ways of exploiting employees if structure did not protect employees to a certain extent. So, structure is useful. Just think of some of the main things it can do:-

- achieve efficient use of resources – without structure we could use up all our resources very quickly; just look at climate change
- ensure accountability and monitoring – to prevent excesses and to ensure that we are all transparently responsible for something, or someone

- allow coordination between different parts of the organisation – so that we can all help each other
- provide for communication – so that we all know broadly what we are all doing, to prevent duplication for example
- adapt to changes – both from within and outside the organisation

So structure provides a purpose in working life and is something that managers rely on to manage.

This model was taken from Xenophon writing about the Persian army of Cyrus about 200 BC so it has changed a little for a modern day equivalent – but surprisingly little.

But there have been other changes in recent years. Pascale has put forward the (hardly revolutionary) theory that structure has to change to move with the times and has suggested a number of evolving trends. Chief among these are:-

- a move from what he calls “bureaucratic hierarchy” towards a softer, more flexible structure, although this might, in itself involve considerable bureaucracy
- a more general move from hierarchy to network
- a switch from directive managers to more facilitative coaching managers



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- a move from vertical tasks in functional units to more horizontal tasks in a more cross-functional structure; in other words, we need to be able to cross-refer with other functions more successfully than has always been the case in the past.
- focusing on how we do things rather than purely what we do
- moving from a military model to a commitment model, or, one which is less hierarchic to one which is more open in attempting to commit employees, suppliers, customers and other key stakeholders to an organisation.

A military model is shown in Fig. 3.7 :-

	Form	Under	
5 men	1 squad	corporal	5
2 squads	1 sergeant's squad	sergeant	10
5 sergeants' squads	1 platoon	lieutenant	50
2 platoons	1 company	captain	100
10 companies	1 regiment	colonel	1,000
10 regiments	1 brigade	general	10,000

There may be some truth in this, although it has not yet become the norm and, as inefficiencies grow in many of the new look structures – in the public sector for example, where more people appear to be achieving less than in the past – there may be a backlash that demands a return to ways which were proven, if imperfect. Moreover, Pascale set out these views in 1990 since when there have been many upheavals in many organisations, most of which remain in a state of flux, so there is time for these ideas to become outmoded in their turn.

Stop and think – how do you think you would perform in a military model? Could you take the discipline and the rigid hierarchy which it implies?

There are distinct limits to autonomy, just as there are distinct limits to allowing employees to decide what to do and how to do it – especially if they are not in full possession of all the relevant facts – so a reaction to these ideas is becoming discernible at the time of going to print.

Perhaps the most convincing argument put forward to support changing structures, is that by Ghoshal and Bartlett who, writing in 1995, suggested that organisations are beginning to be seen as “a portfolio of dynamic processes” rather than as a “hierarchy of static roles”. This is all very well, and, no doubt, highly progressive, but it does require a far greater level of information being made available to employees than has so far been the case if they are to carry out their roles successfully.

Many organisations show their structure in an organisation diagram – a term often shortened to an “organogram.” The first organisation chart was, apparently, drawn up by Daniel McCullum, the general foreman of the New York and Erie Railway Company in 1854.

A typical organogram is shown in Huczynski & Buchanan P. 459, fig. 14.6) Although it only shows the main functions in a generalised way, it does give a clear indication of how the various sections interlock. Drawing up an organogram is an art in itself. There is a four-stage process in doing so:-

1. define who is responsible for groups of activities; place these posts in boxes on the grid
2. establish reporting relationships and connect the boxes with solid lines to show who reports to whom
3. define functional relationships – that is, those that are not set in a recognised hierarchy but who may still work with one another. These relationships are usually shown with a dotted line
4. finally cross reference any positions to outline job descriptions (JDs) which set out in more detail what job holders do.

Stop and Think

Can you draw up an organogram for your organisation?

Are there any areas in which you are uncertain of who reports to whom?

Are there also areas where you do not think that the structure is effective enough?

What would you do to change it?

Often, when organograms have been created, managers can see that some relationships are not particularly well defined and then use this as a starting point from which to change part of the structure.

This process can lead to what is usually known as “Organisational Development”. Rather than meaning how the organisation can progress in terms of turnover, profit or effectiveness, this really means how it is evolving as an organisation. In extreme cases, such as the former Rover Group, the organisation can be honed to a high degree of development, but the organisation can fall into financial difficulty and fail to survive a particular event or a series of downturns in the economy.

Typical organisational development activities can include:-

- introducing new structures or processes
- working with teams to accelerate their development
- improving cross-department relationships
- embarking upon change management programmes
- improving learning opportunities for individuals and teams.

Some or all of these may well make the organisation more effective; equally, there is no guarantee that any of them will ensure its survival.



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3 Organisational culture

Chapter overview

What is corporate culture

Some of the main schools of thought – Deal & Kennedy, Charles Handy

How to apply it.

3.1 Introduction

This chapter will look at one of the less tangible aspects of the organisation, the culture. We have already looked at the other main characteristics of the organisation – its purpose and structure and at what managers really do. Over the past two decades, several management writers have concluded that the culture of an organisation is just as important as the structure and has to be logically assessed and analysed if a number of activities are to be undertaken successfully – for example change management.

The concept of corporate culture has matured considerably since the mid 1980s. It continues to develop and may well take further turns in its complexion over the next two decades. So, we need to determine exactly what corporate culture is before going any further.

3.2 What is corporate culture?

Corporate culture is defined by many writers as being “the way we do things round here”. It is manifested in the rituals of an organisation, in its people, dress, habits, working times and styles, attitudes, office layout, almost every intangible aspect of its being. It is also perpetuated by stories, office gossip, heroes and heroines, décor, social life and the language that various parts of the organisation regularly use at work.

Example

It is summed up by Sainsburys, the supermarket who have a saying that “so and so is (or isn’t) a JS sort of person. In other words, he/she either fits in or does not. Either they understand the way Sainsburys works or they do not; if they don’t, their future ambition is unlikely to be satisfied internally and they may have to move employer to attain significant promotion.

Stop and Think

What kind of organisation do you, work in or do you know about? How does its character – or culture – manifest itself? What are the telltale signs of an organisation that is, for instance either very successful or very unsuccessful? How does your organisation talk both externally and internally? How does it conduct itself?

So, culture includes physical, technological, management and interpersonal issues which affect many aspects of the organisation's life, especially internal communications. We now need to look at some of the key interpretations of corporate culture to try to assess its importance in the organisations' future.

3.3 Determinants of corporate culture

To take this further, there are things which are called determinants of culture, (Capon, P. 59–62) In other words, these are whatever the culture is determined by, the various entities taken for granted by the people who work in and with the organisation. These can include some of the elements already listed as well as

*routines and rituals, (at 3:00 every Friday afternoon Saatchi used to have two crates of pink champagne delivered to the office as a way of saying thank you to the staff who had (usually) worked so hard throughout the week)

*stories – usually about someone prominent in the organisation who has done something noteworthy; alternatively it can be an extended form of office gossip

- symbols – often of success, such as the CEO's Ferrari or the sales team's new BMWs. Symbols are usually, in the West anyway, related to power and success. In less competitive environments, such as the Civil Service, they are more likely to be based around rigid structures and reporting links, office accommodation which is directly linked to status, (an old joke refers to the acquisition of a hat stand in the office as being a distinct status symbol, regardless of whether it is needed for hats)
- Organisational structure – such as to whom someone reports and, thus, how well regarded he/she may be by management. Often this is described as being a power structure rather than an organisational structure. The linkage between a person's role and the overall power which he/she represents in this role is also seen as being relevant here.
- Control systems – a blanket term to include the idea of control measurement and reward in the organisation. Control systems also include financial aspects such as budgeting and cashflow measurement can include output and production, together with productivity and efficiency. Reward systems are concerned with the relationships between employees, targets and reward packages with the quality of the work a common differentiator between an employee who achieves high volume output of a relatively simple product usually being rewarded less favourably than one who achieves a lower volume output but of an intrinsically higher quality product.

3.4 Schools of Thought

There are two major schools of thought about corporate culture, both universally acknowledged and both very similar to one another. One was developed by Deal & Kennedy, the other is Handy's version.

3.5 Deal and Kennedy

Deal and Kennedy identified four main strands of corporate culture – macho, work hard/ play hard, bettering and process. To take them in order of appearance:-

Macho

Sometimes known as the tough guy culture, the name says it all. In organisations where this culture is predominant, staff routinely take high risks and obtain very quick feedback on the success of their gamble. They usually – but not always – occupy a high risk market sector such as the trading floor of a stock exchange, an advertising agency or a crisis management consultancy. Deal and Kennedy also identified this culture with areas such as police forces, surgeons, management consultants and the entertainment industry.

The key characteristics are rapid speed of decision making and relatively short term action. Great pressure is based on achieving results in the short-term – often profits – and rewards are usually high in comparison to other sectors. Macho culture often attracts young managers with high ambition levels and a desire to achieve great things quickly.



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There are, perhaps inevitably, some less desirable side effect of macho culture. Burnout is more common than in other sectors with young managers often sacrificing personal happiness and health to achieve a high corporate status. Those who survive often do so at the expense of colleagues, marriages and, even, health. Because most staff are highly ambitious, rivalry surfaces early and frequently in the work place and macho organisations are often not comfortable places in which to work.

Partly because of this, staff turnover is often high (at Saatchi London offices in the 1980s, it stood at around 45%/annum). This, in turn can lead to longer term structural and even survival issues. To continue the same example Saatchi went through several restructuring processes in the late 1990s and eventually the agency split into two, which was not received well by many of its stakeholders.

3.6 Work hard/play hard

This is a rather more palatable version of macho culture and one which is likely to stand the test of time rather better. It is usually found in organisations where the risks are smaller than in macho areas and the rewards are similarly less stratospheric. Typical examples would be fast food and computer companies where one sale, more or less, is not going to make much difference to the annual profit but where a bull or growing market is likely to mop up as much production capacity as can be foreseen.

Again, quick feedback is central to this culture, with measures such as sales figures usually fairly fast and easy to extrapolate. Many organisations with this culture are fiercely customer oriented and often develop a good staff atmosphere, combining, for example, work based training with away days and social gatherings. Again, short-term interests – such as weekly or monthly sales – tend to be predominant and longer term issues such as consistent quality might not always be to the fore.

3.7 Bettering

A rather strange word in managerial speak, this is sometimes also called “Bet your company” culture. It is mainly concerned with organisations which are predominantly focused on long term results – such as the development of airliners or drilling for oil. Decision taking is, therefore, painstakingly detailed and usually very hierarchical so that policies evolve through a top-down process.

Employees typically tend to be older than in some other sectors, used to working with technology and also working well in teams – often long established teams. Rates of innovation – especially in designing and producing new, complex product – are high and, while the stock market might appreciate shorter term returns, it usually also appreciates longer term stability and strength, which is usually what occurs in Bettering cultures.

Job tenure is often long term as well with employees typically spending most, if not all, their working lives with the same employer. Consequently these are mature cultures with all the attributes of stability and proven processes. To an outsider however, they can appear to be slow, ponderous and rather unimaginative.

3.8 Process

Process culture, as its name implies, is all about how a job is done rather than why it is done or even whether it should be done in the first place. It is often found in bureaucratic organisations, frequently in the public sector and has a fixation with aspects of life such as job descriptions and procedures. There is a very lengthy feedback time – for, instance, a planning application to a local government authority will take on average at least four months to process, even though there may be no objections or difficulties with the principle of the proposed development. Most private sector bodies, faced with the same task, would probably need nearer to four days but public sector is extremely ponderous and decisions – even a decision to consider taking a decision – seem to take for ever.

Jobs are very, very safe. It is extremely difficult to be made redundant in the public sector, despite all the political rhetoric about downsizing. In practice, very few of the job cuts announced by politicians ever take place because the system – or the process – and the unions between them delay decisions for so long that everyone eventually forgets all about them and continues with life as it was before the announcement. This tends to breed a culture in which aversion to change is paramount and devising ways of avoiding change become a frequent management ritual.

Reward may not be particularly, generous but it is very regular. Moreover, organisations like this seldom go broke or encounter any really serious financial difficulties. Many faces familiar from the TV screen, such as BBC correspondents, are often able to retire at the age of 55 with 50% of their salary entitlement, including perks such as company cars transferred to their ownership at a nominal price. So, reward is steady and almost guaranteed – something beloved of building society lenders and bank managers.

In a process culture, power is based on job title – which might explain why it sometimes takes so long to reach a decision. Methodical employees who are painstaking in their approach are more likely to reach the top echelons than those who rely on talent and dash. Consequently Process becomes a sort of waiting culture – waiting for others to make a decision or, ultimately to leave, retire or move on so that other younger employees can take their places.

Symbols about job titles and roles are easily evident. The size and position of an office, the furnishings of an office and the deference with which an employee is regarded by his or her peers are all testament to this. The structure is rigid and hierarchical, the policies often inflexible and even incomprehensible to the outside world. Great play is made of health and safety aspects, with caution being the watchword in all that happens. Planning officers in East Sussex, for example when out on a site visit to a house or other building development are not allowed to accept even a cup of tea or coffee from the householder in case it is construed as hospitality which could bring an improper influence to bear on the planning officer's recommendations. To the outsider, this appears petty and unnecessary; to the authority, it appears to be prudent precaution.

So, in a process culture, remaining loyal and simply enduring will often be rewarded with long service medals and index-linked pensions. Everything in between, however, could be viewed as less than exciting.

Stop and Think

Are you sure you are aware of the key differences between corporate cultures? Why not jot down up to four characteristics of each one as viewed by Deal and Kennedy.

There are other interpreters of cultures. Perhaps the most famous and one which follows the Deal and Kennedy model quite closely is that known as Charles Handy's cultures.

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3.9 Handy

The main difficulty with Handy's cultures is that they are probably not Handy's at all. Many behavioural scientists believe that they were originally devised by Harrison and appropriated or modified by Handy at a later date. Whatever their provenance, however, they are firmly established as being of the Handy school of thought and are well worth considering here. Some of them also bear a strong resemblance to those devised by Deal and Kennedy.

Power

Handy's version of a power culture sees authority firmly vested in the ruling oligarchy of an organisation – either a board of directors or a governing council of trustees. Consequently, most of the decisions are taken at high level with minimal involvement by middle or junior managers.

The effect is a fast-response, quick feedback type of organisation which can change and move quickly when the need arises but which also may be prone to crises because issues have not always been properly thought through before action is taken. Often, the senior managers work very hard and very long hours and view more junior managers as pairs of hands to get jobs done rather than thinking self performers in their own right.

Another consequence of this type of culture is the prevalence of a sort of Italian Renaissance atmosphere jostling for political position with managers very keen to prove their worth to the senior oligarchy. This might mean that they attempt to emulate senior management behaviour, language, habits, attitudes and affectations, possibly combined with a stifling of their own distinct talents and ways of operating. As with all other types of culture this is not wrong or right, simply a way of working.

Role

Role culture in Handy's view is the equivalent to the Process culture of Deal and Kennedy. Fixations with job titles, descriptions and remits are combined with meticulous attention to detail which can become obsessive, fussy and trivial but which is usually painstaking in its execution.

Handy stresses the role of the individual as being one subsumed to a large extent to that of the organisation. Long service and a reluctance to self start or think too far for oneself are also common characteristics as they were with Deal and Kennedy. Here, again, the process and role of the job are all that matter and the organisation has never faced a situation which strict adherence to these principles cannot solve. Dickens satirises this type of culture cleverly and rather damningly in his portrait of the civil service in *Dombey and Son* so it is clearly not a modern invention but one which probably arose out of the Victorian pre-occupation with order and process.

Task

Task culture, according to Handy, shows the prevalence of getting the job – or the task – done. Provided this happens on time and to budget, many departures from formality or process are either allowed or tacitly accepted. Examples would be advertising agencies, architects, accountants and solicitors practices and most management consultancies. Here, if the client is happy, procedures can – and often do – go by the board while discipline can be comparatively lax.

One result is that there is often very little cross fertilisation of good or bad practice. A senior partner may achieve his or her goals in whatever way seems to be the most pragmatic at the time. Other partners may or may not follow this example in achieving their targets. Consequently, it is sometimes regarded as a silo structure, in which vertical reporting groups stop at their own clients. Very little, if any, centralisation of thought or approach is attempted because everything runs fairly well without this.

One good example is the Corporation of London, ironically, a public sector body.

Here, some nine or so main departments report to the committee which has been appointed to oversee the work in a certain area – for example planning, highways, environmental health or bridges. Provided that department, under its senior officer, achieves what the committee has decided, it is left alone by the central, corporate management, which is nominally represented by the Chief Executive. The potential in this type of situation – not necessarily in the Corporation of London – is for a decentralised structure which affords considerable scope for semi-autonomous or individual war lords rather than a strict adherence to a corporate system .

Person

Person culture is the final form of Handy's cultural differentiations. In practice, however, we can safely ignore it. It describes the situation during the building up of an organisation, usually in the private sector, in the image of the founder, so that the resulting company takes on the attributes, likes and dislikes of the founder. Examples often cited in the UK are The Body Shop and Virgin as embodying the principles of Anita Roddick and Sir Richard Branson respectively.

While this may well be the case, neither organisation would have got very far if the founders had not delegated key aspects of growth to other managers. Inevitably, this dilutes the impact of the individual founder to some extent. In practice, therefore, Person culture usually only lasts for a few months, until such time as other influences come to bear on the organisation. Usually, such cultures transform into either power or task cultures; very rarely, do they become role cultures. So, for practical purposes, Person culture can be discounted.

It should be remembered also that different parts of an organisation can often have different types of culture. No matter how dynamic an private sector organisation might be, the accounts and HR functions are often very Role or Process types of culture, for instance. Equally Sales will often be either power or task.

Application of Culture

So, what can we do with an analysis of the differing types and layers of corporate culture? One of the more obvious uses is to apply the various types of culture heavily when practicing sound internal communications. If the wrong type of message is given to employees in the wrong form, it may well do more harm than good and many organisations are now beginning to use rather more sophisticated analysis of their differing cultures to determine what kind of communication vehicle to employ in what circumstances. An example of the form is given below.



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The Internal Communications situation facing you:				
ISSUE:				
CULTURE:				
	Passive - Interactive	Push - Pull	Recorded - Live	Remote - Local
Identify the scale point for your recommended strategy:	1 - 2 - 3 - 4 - 5	1 - 2 - 3 - 4 - 5	1 - 2 - 3 - 4 - 5	1 - 2 - 3 - 4 - 5
METHODS PROPOSED:				

There are other aspects of communication which corporate culture also helps to determine. Leadership, for example is usually better employed if the exact quality of the culture is known and allowed for. When allocating tasks, activities, deadlines and resources, top management are better equipped to carry the employees with them if they appeal to the right aspect of culture in their policies. This clearly extends well beyond the remit of an HR function to a situation in which not only senior but line managers are empowered to deliver powerful and persuasive messages, even when these may not be welcomed by many staff.

Personal enactment is also a useful offshoot of corporate culture. Activities such as how top executive spend their time, their use of meetings, technology and other communication aids can often be refined by measuring them against the expectations and tolerances of a sector of corporate culture. Most managers need to take into account the cultures with which they are dealing if they are to maximise their impact on their teams and extract the best efforts from their employees. This, too has clear ramifications for the leadership style which managers may choose to adopt to extract maximum benefit from a communications medium.

Leading by example is also something which can be more successfully developed with a prior knowledge of the prevailing cultures. A workforce which is already used to working long hours – as in a task culture for instance – may well not respond favourably to a senior manager who leaves the office promptly at 5.30, or whatever time it nominally closes. Equally, a manager with insufficient appreciation of the formality of an event or ritual may well risk antagonising the goodwill of an otherwise responsive workforce. For example, the misplaced determination of the then Chancellor Gordon Brown not to wear dinner jacket when making his first Guildhall speech, is an example of how once offended in a disrespectful way, a body of opinion that is extremely hard to convert.

Johnson & Scholes (p. 73) insist that the cultural web – a representation of taken-for-granted assumptions (known as a paradigm) can show the underlying expectations of an organisation both from within and without. They further go on (p. 231) to allocate the importance of this web in determining issues such as the commitment of an organisation to CSR. An example would be the determination of Anita Roddick to adhere to strict moral values in developing cosmetics so that no animals were harmed in the research process. This was something which, she knew, would be no more popular with her workforce than it was with she and her husband and, although she may well have felt very strongly about the issue personally, even if she had not, it would have been a foolish and ultimately futile move to attempt to secure recognition of its worth among her staff.

So, defining and using corporate culture, while predominantly an internal discipline designed to assist strong and relevant communication, can also be used externally to help to create and sustain a corporate image without which an organisation might have a negligible chance of success.

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