**Theme 3 – Organisation Design: Fashion or Fit? – Henry Mintzberg**

**Intro:**

* A conglomerate takes over a small manufacturer and tries to impose budgets, plans, organisational charts. Results in declining sales and product innovations and near bankruptcy until the divisional managers buy back the company and turn it around.
* Consultants make constant offers to introduce the latest management techniques.
* Government sends in its analysts to rationalise, standardise and formalise citywide schools, hospitals and welfare agencies. Results are devastating.
* Incidents above suggest many problems in organisational design stem from the assumption that all organisation are alike, mere collections of component parts to which elements of structure can be added and deleted at will.
* Opposite assumption is that effective orgs achieve a coherence among their component parts, don’t have to change one element without considering the consequences on other elements.
* Spans of control, degrees of job enlargement, decentralisation etc should be selected according to internally consistent grouping.
* When these characteristics are mismatched org does not function effectively.
* 5 clear configurations appear.



**Deriving the Configurations:**

* Org begins with a person who has an idea. He forms the *strategic apex*. He hires people to do basic work called the *operating core*. As org grows intermediate managers employed become the *middle line*. Analysts that design systems concerned with formal planning and control of work form the *technostructure*. Second is the *support staff* providing indirect services to rest of org.
* Not all orgs need all parts, some use few, some are complex.
* Central purpose of structure is to coordinate the work divided ina variety of ways; how coordination is achieved.



* In simplest case coordination achieved at strategic apes by  *direct supervision*, chief exe gives orders. The configuration called  *simple structure*  emerges with minimum of staff and middle line.
* When coordination depends on the *standardisation of work* an orgs administrative structure needs to be elaborated. This gives rise to configuration called *machine bureaucracy.*
* When coordination is through *standardisation of skills*  of employees, org needs highly trained pro’s in its operating core and considerable support staff to back them up. Neither its technostructure nor its middle line is elaborate. Resulting config is called *professional bureaucracy.*
* Orgs sometimes divided into parallel operating units allowing autonomy to middle line managers with coordination achieved through the  *standardisation of outputs* (including proformance) of these units. Called the *divisionalised form.*
* Finally most complex orgs engage sophisticated specialists and require them to combine their efforts in project teams coordinated by *mutual adjustment*. Results in *adhocracy* in which line and staff as well as number of other distinctions tend to break down.
* Elements of structure:
* Spcialisation of tasks.
* Formalisation of procedures (job descriptions, rules and so forth.)
* Formal training and indoctrination required fob the job.
* Grouping of units (by function performed or market served)
* Size of each of the units(span of control of its manager)
* Action planning and performance control systems.
* Leason devises, such as task forces, integrating managers and matrix strutcture.
* Delegation of power down the chain of authority(called  *vertical decentralisation*)
* Delegation of power out from that chain of authority to non manager(called *horizontal decentralisation).*
* Situational factors- ages and size of the organisation, technical system of production and various characteristics of its environment.

**Simple Structure:**

* Exhibt 2 the most common structure is the classic entrepreneurial company.
* What characterises this configuration is whats missing. Little of its behaviour is standardised or formalised and minimal use is made of planning, training or liaison devices. Little need for staff analysts. Few middle line managers hired because coordination achieved through strategic apex by direct supervision.
* Support staff is minimised to keep the structure lean and flexible.
* Org must be flexible because it operates in a dynamic environment, it can outmaneuver the bureaucracies.
* Environment must be simple, and orgs system of production so chief exe can retain highly centralised control.
* Centralised control makes the simple structure ideal for rapid flexible innovation.
* Where complex forms of innovation are required simple structure falters because of centralisation- requires highly trained specialist and gives them considerable power.
* Simple structures often young and small because aging and growth encourages them to bureaucratise but also because their vulnerability cause many of them to fail.
* Cooperate landscape littered with entrepreneurial companies whose leaders encouraged growth and mass production but could not accept transition to bureaucratic forms of structure that these changes required.
* Some simple structures managed to grow large under tight control of clever autocratic leaders – ford motor co.
* Almost all orgs begin their lives as simple structures
* Systems and procedures are suspended as power reverts to the chief exe to give him a chance to set things right.





<http://www.odcanada.org/site/readingsforM1/Mintzberg%20Org%20Structures.pdf>

**Machine Bureaucracy:**

* Machine bureaucracy is the offspring of industrialisation, that emphases the standardisation of work for coordination and its resulting low skilled , highly specialised jobs.
* MB elaborates its administration. It requires many analysts to design and maintain its system. Dependence on analysts gives them a degree of informal power resulting in a certain amount of horizontal decentralisation.
* Large hierarchy emerges in the middle lane to over see specialised work of operating core. Usually structured on a functional basis all the way up to the top where real power lies.
* Large amount of support structure as change interrupts smooth functioning of system. Also like to integrate vertically to become their own suppliers and customers.- grow very large.
* MB fit most naturally with mass production- products, processes and dist systems are rationalised.
* MB most common among large mature mass production companies-cars.
* External controls encourage bureaucratisation and centralisation , this config is often assumed by orgs that are tightly controlled from outside – government agencies.
* Problems with MB- dull, repetitive work, alienated employees. Massive size and inadaptability.
* This is the config that gets the products out cheaply and efficiently.

**Professional Bureaucracy:**

* Relies on standardisation of skills rather than work processes or outputs for its coordination. – hospitals, universities, accounting firms.
* Org surrenders good deal of power to professional and associations and institutions that select and train in the first place because given power over their own work.
* Result- structure decentralised, power over many decisions flows all the way down the hierarchy to the pros of the operating core.
* Each pro can work independently of colleagues with assurance that coordination will be effected automatically through standardisation of skills.
* No techno structure needed. Size of operating units can be large, so very few first line managers needed
* Support staff typically large to back up high priced pros. Much of work is simple and routine jobs. As a result parallel hierarchies emerge in the professional bureaucracy, one democratic with bottom up power for the pros and a second autocratic with top down control of support staff.
* PB best for orgs that find themselves in stable yet complex environments. Complexity requires decision making power be decentralised to highly trained individuals and stability enable these individuals to apply standardised skills and so to work with a good deal of autonomy. Production system not highly regulated, complex nor automated.
* Standardisation strength and weakness of PB. Rises problems of adaptability. This is not a structure to innovate but one to perfect what is already known.
* Popular because its very democratic for pro workers and offers considerable autonomy.

**Divisionalised Form:**

* Set of independent entities joined together by a loose administrative overlay. Professionals in operating core form units in the middle line called divisions.
* DF differs from other 4 configs in one central respect; it is not a complete but a partial structure, superimposed on others. Those others are in the divisions each of which driven toward machine bureaucracy.
* Divisionalises because its product lines are diversified. Such diversification encourages the org to crate a market based unit (division) for each distint product line.
* Most famous example of divisionalisation involved centralisation. General motors- reduce power of different units to integrate the holding company. That kind of centralisation appears to have continued to the point where the automotive units in some ways seem closer to functional marketing departments than true divisions.
* Some direct supervision used- HQ managers visit divisions periodically and authorise decisions. HQ relies on performance control systems(standardisation of output). Leaves decisions to division and measures them by performance. Small techno structure and support staff needed.
* Inside division jobs broken down until work standards emerge. They encourage the bureaucratisation of structure. HQ imposes standards through managers of division that results in centralisation within the divisions. Centralisation coupled with bureaucratisation gives machine bureaucracy.
* Simple structures and adhocracies make poor divisions because they abhor to standards – difficult to establish standards.
* External control pushes an org toward machinebureaucracy.
* DF created to solve problem of inadaptability in machine bureaucracy. By overlying another level of administration that could add and subtract divisions org found a way to adapt itself to neew conditions and to spread its risk.
* Some evidence suggest that the control systems of these structures discourage risk taking and innovation and that the division head who must justify his performance every month is not free to experiment.
* To spread risk is to spread the consequences of that risk, disaster in one division could take down entire org. Discourages ambitious innovation
* Does not solve problem of adaptability of machine bureaucracy merely delfects it.
* By enabling org to grow very large lead to concentration of great deal of economic power ina few hands- can be used irresponsibly.
* Focus on economic performance no social responsibly though of.
* Success of Df depends on goals that can be measured, but outside business sector goals often social in nature and non quantifiable.
* Divisions often require structures other than MB. Divisional form can be a misfit jsut as can any of the other configurations.

**Adhocracy:**

* A structure of interacting project teams. – complex and non standardised.
* Contradicts much of what we accept as faith in orgs – consistency in output, control, unity of command etc. Power is constantly changing and coordination and control are by mutual adjustment through the informal communication and interaction of competent experts.
* Like PB adhocracy relies on trained and specialised expert to get bulk of work done. But in this case experts must work together to create new things instead of working apart to perfect established skills.
* Coordination relies on mutual adjustment which it encourages by liason devices- integrating managers, task forces and matrix structure.
* Experts tend to be dispersed throughout the structure according to the decisions they make- in operating core, middle line, tecnostructure, strategic apex and especially support staff.- distributed unevenly.
* Managers of adhocracy do not control in conventional sense of direct supervision, typically they are experts too who take their place alongside other in teams concerned especially with linking different teams together.
* Power based on expertise instead of authority the line/staff distinction evaporates. Power distributed results in blur between strategic apex and the rest of the structure.
* Two basic types of adhocracy *operating* and *administrative.*
* *Operating* adhocracy carries out innovative projects directly on behalf of its clients- consultancy. OA treats each client problem as a unique one to be solved in creative fashion.
* In OA operating and administrative work blend into a single effort- org can not easily separate planning and design of operating work.
* *Administrative* adhocracy undertakes projects on its own behalf – space agency or producer of electronic components.
* Two part structure admin and operating separate. Administrative component carries out innovative design work combining line manages and staff experts in project teams. Operating component put the results into production is separated so that its need for standardisation will not interfere with project work.
* Both kinds of adhocracy found in complex and dynamic environments. These 2 conditions call for sophisticated innovation requiring cooperation of many different kinds of experts.
* Operating adhocracy is often associated with young organisations. Organisations that use it tend to be highly vulnerable and many disappear at an early age.
* As employees age they tend to seek an escape from the instability of structure and its environment. Innovatinve consulting firm convergs few of its most successful projects packages them into standard skills and settle down as a PB.
* Not all adhocracies follow this transition.
* Adhocracy is the only one of the fice configurations that combines some sense of democracy with an absence of bureaucracy.
* Has its limitations though. It achievies its effectiveness through inefficiency. It is inundated with managers and costly lisison devices for communication, nothing go done without everyone talking to everyone else.
* Ambiguity abounds giving rise to all sorts of conflicts and political pressures.

**Configurations as a Diagnostic Tool:**

* What are these configurations? Abstract ideals? Real life structures, one of which an org had better use if it is to survive or ?building blocks for more complex structures? The answer is a qualified yes in all 3 cases.
* Every org experiences the 5 pulls that underline these configs; to centralise by top management, formalise by the technostructure,profesionalse by operators, balkanise by the managers of the middle line, and pull to collaborate by the support staff.
* Where 1 pull dominates- org will tend to organise itself close to one of the configurations.
* Two may exist in balance, likewise there are companies that are diversified around a central theme that creates linkage among their different product lines.
* Point is that managers can improve their org design by considering the different pulls their org experiences and the configurations toward which they are drawn.
* 5 configs can serve as an effective tool in diagnosing the problems of org design.

**Are the Internal Elements Consistent:**

* Mang that grabs at every structural innovation that comes along may be doing its org great harm- it risks going off in all directions.
* Machine bureaucracy functions best when its reporting relationships are sharply defined and its operating core staffed with workers who prefer routine and stability.
* Nature of work in configuration is rooted in the reality of mass production, cost s of manual labour and size and age of org.
* Until we are prepared to change our way of living we would do better to spend out time trying not to convert our machine bureaucracies into something else but to ensure that they work effectively as they are meant to be.

**Are the External Controls Functional?**

* An org may achieve its own internal consistency and then have it destroyed by impostition of external controls. Typical effect- drive org toward machine bureaucracies – adhocracies suffer.
* 2 cases- takeover of small company by large Divisionalised one making bureaucracies of entreprenueruial ventures. Other is tendency for governments to take direct control of what used to be independent org-hospitals etc.
* As this happens-they become centralised and formalised. – driven toward machine bureaucracy. Cure is worse than disease, professional bureaucracies cant be managed like machines. Eg school standards outside classroom discourage teachers.
* Machine bureaucracy promoted as best way but assumption is false; it is one way among a number suited to only certain conditions.

**Is there a part that does not fit?**

* Sometimes an orgs management recognises need for internal consistency , hives off ap art in need of specila treatment.
* Standards have a long administrative reach- difficult to corner off a small component and pretend that it will not be influenced by the rest. Each org develops its own norms, standeards traditions which penetrate every part of it.
* Unless there is a balance among opposing forces the prevailing ideology will tend to dominate. This is why adhocracies need tolerant controllers just as MB usually scale down their expectations for their research labs.

**Is the right structure in the wrong situation?**

* Some orgs do achieve and maintain an internal consistency. But then find out that it is designed for an environment the org is no longer in.
* Structure is no more designed to fit the situation than situation is selected to fit the structure.
* Way to deal with the right structure in the wrong environment may be to change environment not the structure.
* Far easier to shift industries or retreat to a suitable niche in an industry than to undo a cohesive structure.
* Thus the entrepreneur goes after new dynamic environment when the old one stabilises and the bureaucracies begin to move on.
* Slow change – org can continuously adapt to the environment at expense of internal consistency – that is steadily redesign its structure to maintain external fit. Or can go other way around. Choice is between revolution or evolution.
* Effective companies usually opt for revolution. It is better apparently to maintain at leat partial configuration than none at all.

**Fit over Fashion:**

* To conclude consistency, coherence and fit-harmony are critical factors in orf design but they come at a price.
* Org cannot be all things to all people.
* It should do what it does well and suffer the consequences.
* The point is not really which configuration you have, it is that you achieve configuration.

**Appendix: Elements of the configurations:**

**Elements of structure**

* Job specialisation refers to the number of tasks in a given job and the workers control over these tasks.
* Job is horizontally specialised to extent it encompasses few narrowly defined tasks, vertically specialised to extent that the worker lacks control of the task she performs.
* Unskilled job-highly specialised in both directions.
* Skilled job-horizontally but not vertically.
* Job enrichment refers to enlargement of jobs in both vertical and horizontal dimensions.

**Behaviour formalisation**

* The standardisation of work processes by imposition of operating instructions, rules regulations...
* Structures that rely on standardisation for coordination are generally referred to as bureaucratic, those that don’t organic.

**Training and indoctrination**

* The use of formal instructional programs to establish and standardise in people the requisite skills, knowledge and norms.
* Training and formalisation are basically substitutes for standardisation (bureaucratisation) in behaviour.
* In the one standards are internalised in formal triang as skills or norms in the other they are imposed on the job as rules.

**Unit Grouping**

* The optional bases by which positions are grouped together into units and these units into bigger units.
* Encourages coordination by facilitating mutual adjustment among them.
* Various bases for grouping-product, client, area- can be reduced to two fundamental; function performed of the market served.

**Unit size**

* The number of positions(units) contained in a single unit.
* Not span of control group can be small but span of control can be large.
* In highly specialised jobs unit size can be large because there is little need for direct supervision because assemblers work according to very tight instructions.

**Liaison devices**

* Refer to a whole set of mechanisms used to encourage mutual adjustment within and among units.
* Range from purchasing engineer to task forces.

**Vertical decentralisation**

* Describes the extent to which decision making is delegated to mangers down the middle line while  **horizontal decentralisation** refers to extent to which non managers control decision processes(technostructure, operation core etc).
* Decentralisation may be selective.
* 5 types:
* vertical and horizontal centralisation where all power lie in strategic apex,
* limited horixontal decentralisation (selective) where strategic apex shares some power with technostructure and standardises everybody elses work,
* Limited vertical decentralisation (parallel) where managers of market based units are delegated the power to control most of the decisions concerning their line units.
* Vertical and horizontal decentralisation where most of power rests in the operating core at bottom of the structure
* Selective vertical and horizontal decentralisation where power over different decisions is dispersed widely in the org – among managers, staff experts etc.

**Elements of situation**

* age and size of org affect particularly extent to which its behaviour is formalised and its admin structure elaborated.
* As org grows transists through stages.
* The **technical system** of the org influences the operating core, when TS regulates the work of operating core such as mass production it has effect of bureaucratising the org by virtue of the standards it imposes on lower level workers. When TS succeeds in automating operating work it reduces need for external rules and regulations. When TS is complex, the org must create a significant professional support staff to deal with it and then must decentralise selectively to the staff decisions concerned with TS.
* The **environment** of org can vary in complexity, in how static or dynamic it is. The more complex the environment the more difficulty cental management has in comprehending it and greater the need for decentralisation. The more dynamic the greater difficulty standardising work, output,
* 4 kinds of structure.
* Two in sable environment(one simple other complex) leading to a centralised and a decentralised bureaucracy.
* Two in dynamic environment(one simple other complex) leading to centralised and decentralised organic structure.
* **Power** factors of org include external control personal power needs and fashion.
* More an org is externally controlled more centralised and bureaucratic it tend to become. Explained by fact that 2 most effective ways to control org from outside are to hold its morst powerful decision maker (chief exe) responsible for its actions and to impose clearly defined standards.
* Must justify actions to outsiders-it tends to formalise much of its behaviour and insist that its chief exe authorise key decisions.
* Second factor individual power needs tend to generate excessively centralised structures.
* Fashion has shown to be factor in org design, the structure of the day often being favoured even by org for which it is inappropriate.