

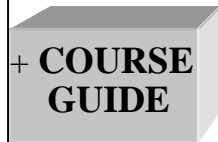


NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MBA 777

COURSE TITLE: ORGANISATIONAL DESIGN AND DEVELOPMENT

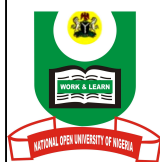


**MBA 777**

**ORGANISATIONAL DESIGN AND DEVELOPMENT**

**Course Team**

Justice Ngarama Chidi (Course Writer/Developer)  
2 Taiwo Street, Off Akute Road, Iju-Ishaga, Lagos  
Abdullahi S. Araga (Course Coordinator) - NOUN  
Dr. O. J. Onwe (Programme Leader) - NOUN



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

National Open University of Nigeria  
Headquarters  
14/16 Ahmadu Bello Way  
Victoria Island  
Lagos

Abuja Office  
5, Dar es Salaam Street  
Off Aminu Kano Crescent  
Wuse Zone II, Abuja

e-mail: [centralinfo@nou.edu.ng](mailto:centralinfo@nou.edu.ng)  
URL: [www.nou.edu.ng](http://www.nou.edu.ng)

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## **INTRODUCTION**

MBA 777 is prepared for students running the masters degree in Business Administration and other related programmes in the School of Management Sciences. This course consists of 15 units, focusing on the nature of organisation development and organisation design. This course undertakes a critical analysis of organisation development as a means of improving organisation effectiveness and ensuring growth. The basic concept of structure and its dimension constitute a major part of this study. Organisation design will help to decide the appropriate structure, taking note of the environment and its challenges in which an organisation is found.

The course guide gives you an idea of what the course is all about. It also notifies you of the materials you will be using and how to make use of the materials to ensure adequate success. Other information contained in the course includes how to make use of your time and details on tutor-marked assignment. There will be tutorial classes; full details concerning tutorial classes will be conveyed to you at the appropriate time.

## **WHAT YOU WILL LEARN IN THIS COURSE**

The course is made up of fifteen units, covering areas such as the nature of organisation development, concept of innovation, growth and structural dimension of organisation and so on. This course guide is meant to provide you with necessary information about the course, the nature of the materials you will be using and how to make the best use of the materials towards ensuring adequate success in your programme.

Also included in this course guide are information on how to make use of your time and how to tackle the tutor-marked assignment. There will be tutorial sessions during which your instructional facilitator will take you through difficult areas, and interact with you and your fellow learners.

## **COURSE AIMS**

The aim of this course is to help you to understand how to improve an organisation; it will also help you to get to know the structure and design arrangement that will bring about efficiency and effectiveness in organisations. The aims of the course will be achieved by:

- explaining the nature, development and design of an organisation
- evaluating the concept of innovation
- identifying methods of growth

- describing the impact of technology on the environment of an organisation
- highlighting the components of structure
- analysing mutual impact of strategy.

## **COURSE OBJECTIVES**

At the end of this course you should be able to:

- describe organisational development, its nature and principle
- explain growth in organisation and its method
- list types of environment
- evaluate the impact of technology and strategy on structure.

## **COURSE MATERIALS**

**The course is made up of the following components:**

- Course guide
- Study units
- Textbooks
- Assignment file
- Presentation schedule.

## **STUDY UNITS**

There are fifteen units in this course, broken into three modules; these are presented below.

### **Module 1**

Unit 1	An Overview of Organisational Design
Unit 2	Nature of Organisational Development
Unit 3	Organisational Development: Objective and Process
Unit 4	Concept of Innovation
Unit 5	Organisational Growth
Unit 6	Method of Organisational Growth

### **Module 2**

Unit 1	Environment and Organisational Development
Unit 2	Managing Environment
Unit 3	Structure and Elements of Formal Structure
Unit 4	Structural Dimension of an Organisation: Complexity

Unit 5            Structural Dimension of Organisation: Formalisation and Centralisation

### **Module 3**

Unit 1            Managing Organisational Change and Development  
Unit 2            Technology and Structure  
Unit 3            Components of Organisational Design and Management  
Unit 4            Mutual Impact of Strategy

## **REFERENCES/FURTHER READING**

You may wish to consult the references and other books suggested at the end of each unit; they are meant to give you additional information, if only you can lay your hands on them. You are expected to study the materials, reflect on them, and do the exercises. Some of the exercises will necessitate your visiting some business organisations. You are advised to do so in order to observe how organisations are structured and designed.

## **ASSESSMENT**

There are many assignments in this course and you are expected to do all of them by following the schedule prescribed for them.

## **TUTOR-MARKED ASSIGNMENT**

In doing the tutor-marked assignments, you are to apply what you have learnt in the contents of the study units. These assignments, which are many in number, are expected to be turned in to your tutor for grading. They constitute 50% of the total score for the course.

## **FINAL EXAMINATION AND GRADING**

At the end of the course, you will write the final examination. It will attract the remaining 70%. This makes the total final score to be 100%.

## **PRESENTATION SCHEDULE**

Your assignment file consists of all the details of the assignments you are required to submit to your tutor for marking. The marks obtained for these assignments will count towards the final mark you obtain for this course; more information on the assignments can be found in the assignment file.

## COURSE MARKING SCHEME

The marks that make up the total score for this course are as shown in the table below:

Assessment	Marks	marked
Assignments (the best three be selected)	will 10% of the selected assignments, totalling 30%	
Final examination	Examination score 70%	
<b>Total</b>	Overall course score 100%.	

## HOW TO GET THE MOST FROM THIS COURSE

In distance learning, the study units replace the lecturer. There is the advantage of reading and working through the course material at the pace that suits the learner best. You are advised to think of it as reading the lecture as against listening to the lecturer. The study units provide exercises for you to do at appropriate periods instead of receiving exercises in the class.

Each unit has common features which are designed, purposely, to facilitate your reading. The first feature is an introduction to the unit. This reflects the manner in which each unit is integrated with other units and the entire course. The second feature is a set of learning objectives. These objectives should guide your study. After completing the unit, you should go back and check whether you have achieved the objectives or not. The next feature is self-assessment exercises, study questions which are found throughout each unit. The exercises are designed basically to help you recall what you have studied and to assess your learning by yourself. You should do each self assessment exercise and the study question as you come to each in the study unit. The next features are conclusion and summary at the end of each unit. These help you to recall all the main topics discussed in the main content of each unit. There are also tutor-marked assignments at the end of appropriate units. Working on these questions will help you to achieve the objectives of the unit and to prepare for the assignments which you will submit and the final examination. The final features are references/further reading. The books suggested at the end of each unit are meant to give you additional information, if only you can lay your hands on them.

It should take you about one hour to complete a study unit, including the exercises and assignments. Upon completion of the first unit, you are advised to note the length of time it took you, and then use this information to draw up a timetable to guide your study of the remaining units. The margins on either sides of each page are meant for you to



make notes on main ideas or key points for your usage when revising the course. These features are for your usage to significantly increase your chances of passing the course.

## **FACILITATORS/TUTORS AND TUTORIALS**

There are many ways of learning as an open distant learner. You learn when you interact with the content in your course material just as a student interacts with the teacher in a conventional institution. You also learn when you are guided through the course. Though you are not taught the course, your course material is however your teacher; and as such, you will not be able to get answers to any questions which may arise from your study of the material. For this reason, apart from the course material which you have received, the delivery of this course is aided by tutorial facilitation and counselling support services. These services are not compulsory but you are encouraged to, maximally, take advantage of them.

A number of hours have been scheduled for this course, and they form a part of your learning process; you also have an opportunity to receive face-to-face interaction with your informal facilitator and to receive answers to questions or classifications which you may have. Also, you may contact your tutorial facilitator by telephone or e-mail.

As an open and distant learner, you are expected to prepare ahead of time by studying relevant study units, write your questions so as to gain maximum benefit from tutorial sessions. Information about the location and time schedule for facilitation will be available at your study centre.

Note that tutorial sessions are flexible arrangements between you and your tutorial facilitator. You will need to contact your study centre to arrange the time schedule for the sessions. You will also need to obtain your tutorial facilitator's phone number and e-mail address.

Tutorial sessions are optional, however; participating in them provides tremendous benefits because they provide a forum for interaction and group discussions which will maximise the isolation you may experience as an open and distant learner. Your tutorial facilitator guides you by doing the following things.

- i. Providing answers to your questions during tutorial sessions on phone or by e-mail.
- ii. Coordinating group discussions.
- iii. Providing feedback on your assignments.
- iv. Posing questions to confirm learning outcomes.

- v. Coordinating, marking and recording your assignments/examination scores.
- vi. Monitoring your progress.

English language is the language of instruction for this course. The course material is available both in print and on CD. It is also on the website of the National Open University of Nigeria. However, on your part, you are to prepare ahead of time by studying and writing your questions so as to maximally benefit from facilitation.

Information about the location and time of facilitation will be available at your study course. This is a flexible arrangement between you and your tutorial facilitator. You should contact your tutorial facilitator whenever:

- i. you do not understand any part of the study unit
- ii. you have difficulty with the self assessment exercises
- iii. you have a question or a problem with an assignment, or your tutorial facilitator's comments on an assignment or with the grading of an assignment.

## **SUMMARY**

This course will help you to understand organisational structure and design, and how to manage these structures in the dynamic business environment. On successful completion of this course, you would have been armed to design and evaluate structure, so you can contribute to the efficiency of an organisation.

Best of luck.

**+ MAIN  
COURSE**

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## **MODULE 1**

Unit 1	An Overview of Organisational design
Unit 2	Nature of Organisational Development
Unit 3	Organisational Development: Objective and Process
Unit 4	Concept of Innovation
Unit 5	Organisational growth
Unit 6	Method of Organisational growth

### **UNIT 1 AN OVERVIEW OF ORGANISATIONAL DESIGN**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	What is Organisational Design?
3.1.1	The Organising Process
3.2	Objectives of Organisational design
3.3	Organisational Diagnosis
3.4	Organisational Guidelines
3.5	Organisational Planning
3.6	Organisational Analysis
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0 INTRODUCTION**

In this unit, you will learn about organisational design and development. Firstly, the concept of organisation has to do with a group of individuals' coordinated specialisation for the purpose of achieving goals and objectives of the organisation.

According to Stan Kossen (1978), organisation structure has to do with how tasks are to be allocated, who reports to who, who does what and the formal coordinating mechanism and interaction pattern. In other words, an organisation has objectives and members are coordinated in their every activities and function to achieve set goals. These are fundamentals which will assist you in understanding organisational design itself.

Organisational design is concerned with constructing or changing structure to achieve the organisation's goals. In other words, it offers prescriptions for how organisations can be designed to facilitate the attainment of set goals.

However, this unit will consider the general view of organisational design and this will help you to appreciate this particular course as a tool for understanding an organisation's effectiveness.

## **2.0 OBJECTIVES**

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

- explain the concept of organisational design
- describe the process of organising
- state the objectives of organisation
- outline the guidelines and principles of good organisation.

## **3.0 MAIN CONTENT**

### **3.1 What is Organisational Design?**

Who does what in an organisation has become a fundamental question in managing people effectively. The fundamental issues of organisational design and re-designing, which constitute factors affecting organisation behaviour, are how activities are to be grouped together. These include the lines and means of communication to be established and how roles are to be defined so that individuals can appreciate their contributions in relation to the objectives of the organisation.

The concept of organisational design can also be described as a result from a combination of the definition of organisation and the concept of strategic choice. Organisational design can be seen as a decision process to bring about coherence between goals or purposes of an organisation. These include the pattern of division of labour and inter-unit coordination and the people who will do the work.

Accordingly, the notion of strategic choice suggests that there are choices of goals and purposes, choices of different units in the organisation and finally a choice as to whether goals of organisations, of individuals or some combination of them should be changed in response to the environment. The maintenance of the coherence of these choices, overtime, is the concern of organisational design.

Now, organisational design is concerned with constructing and changing an organisation structure to achieve its goals (Stephen Robbins, 1987).

Jay Galbraith (1977) argues that organisational design is the continuous monitoring and assessing of the link between goals, structure and rewards, the creation and choice of alternative actions and the implementation of the chosen design.

### **3.1.1 The Organising Process**

According to Michael Armstrong (1995), the process of organising can be described as the design, development and maintenance of a system of coordinated activities, in which individuals and group of people work, cooperatively under a leader, towards commonly understood and accepted goals. The key word he described as 'system'; in other words, organisations are systems which are affected by their environments. They also have structures which have both informal and formal elements.

The process of organising also can involve the grand design or redesign of the total structure; but most frequently, it deals with the organisation of particular functions and activities and the basis of managing the relationship between them. The organising process, according to Galbraith (1977), can on one hand be a choice of how to decompose the overall task into sub-tasks which can be performed by individuals and groups of individuals. On the other hand, it may be concerned with the means of reintegrating the sub-tasks into the completion of the whole task. There are choices of using hierarchy of authority, rules and information systems; and finally, another choice could be centered on policies to integrate individuals into the organisation.

The task is to select people, design tasks, and arrange incentives which will enable individuals to choose to do those acts which produce the expected effect on the environment. In the business world of today, change is dynamic and it constantly takes place in the environment within which business operates. Change also occurs in the people who work in the business place and therefore, the organisation cannot afford to be static.

There is no ideal organisation or the best way of designing organisation structure. Whatever structure any organisation may adapt is contingent on the circumstances of its environment, with the purpose of achieving the best fit between the structure and these circumstances. Most importantly, we should bear in mind that an organisation consists of people working more or less, cooperatively together. Armstrong points out that at management levels, the organisation may have to undergo some adjustments to fit the particular strength and attribute of people available.

Though this may not look reasonable or ideal, but it is likely to produce a better result than having a structure where human element is seen as inconsequential or irrelevant. Having ideal structure in mind is good; however, it is necessary to modify it to a particular circumstance, as long as there is awareness of potential problems that may arise.

### **SELF-ASSESSMENT EXERCISE 1**

- i. Define organisational design
- ii. What do you understand by organising processes?

## **3.2 Objectives of Organisational Design**

The aim of organisational design, according to Armstrong (1995), is to optimise the arrangement for conducting the affairs of a business entity. To do this, as far as circumstances allow, he suggests the following:

- Clarify the overall purpose of the organisation – the strategic thrusts that govern what is done and how it functions.
- Define, as precisely as possible, the key activities required to achieve that purpose.
- Group these activities logically together, to avoid unnecessary overlap or duplication.
- Provide for integration of activities and the achievement of cooperative effort and team work, in pursuit of a common purpose.
- Build flexibility into the system so that organisational arrangements can adapt quickly to new situations and challenges.
- Provide for rapid communication of information throughout the organisation.
- Define the function and role of each organisational unit so that all concerned can know what to do to achieve the overall purpose.
- Clarify individual roles, accountabilities and authorities.
- Design jobs to make the best use of the skills and capacities of the job holders and to provide them with high levels of motivation.
- Plan and implement organisational development activities to ensure that the various process within the organisation operate in a manner that contributes to organisational effectiveness.
- Set up teams and project groups required to be responsible for specific processing, development, professional or administrative activities or for the execution of projects as well as the introduction of new processes and work procedures.

Here, the underlisted too should be taken into consideration:

- Strategy issue and objectives – identify the strategic issue facing the organisation and its objectives. This could be examined under the following parameters- growth, computation, market position and availability of human, financial and material resources.
- Activities – analysis should be carried out on activities to establish what work is done and what need to be done to attain organisational objective within the environment. This should cover what is and is not being done, who is doing it and where and how much is being done. Proper evaluation on the activities being carried out but especially on those that do not need to be done at all or those that could be conducted more economically and efficiently by external contractors or providers.
- Structure-analysis of the structure of the organisation covers how activities are grouped together, the number of levels in the hierarchy, the extent to which authority is decentralised to division and strategic business unit. The analysis will also determine where functions such as finance, personnel, research and development are placed in the existing organisational structure. The relationship that exists between different units and functions, and issues such as the logic of the way in which activities are grouped and decentralised also the span of control should be considered.

### **3.3 Organisational Diagnosis**

This should be based on analysis, and in agreement with what the aims of the organisation should be. The present arrangement can be considered against these aims and future requirements, to assess to what extent they meet them or fall short. Armstrong (1995) insists that there are no absolute standards against which an organisation's structure can be judged. There is no best way or principle that governs the choice of the organisation. He points out that whatever choice is made should enhance proper co-ordination of the activities of the organisation.

### **3.4 Organisational Guidelines**

There are "rules" or 'principle' of organisation but there are certain guidelines that can be followed as pointed out by Armstrong. These are discussed below.

- i. Allocation of work – define the work to be done and allocate functions to units, departments, work teams, project groups and designated officers. Managing the process involving different



- work units and teams should be given utmost consideration, rather than hierarchy.
- ii. Differentiation and integration – there is a need to differentiate activities that need to be carried out and also ensure integration. Everyone in the organisation will be working towards the same direction in achieving the goal of the organisation.
  - iii. Team work – organisation should be designed and operated across departmental and functional boundaries. Team work should be encouraged; and teams should be given the opportunity to run their affairs in some areas, including planning, budgeting and quality control. Open and informal communication should be encouraged.
  - iv. Flexibility – the organisational structure should make for flexibility to enable organisation respond to change, challenge and uncertainty. This can be done through creation of care groups and by using casual/contract workers to handle extra demand.
  - v. Role clarification – role should be clearly defined to individuals and members of a team. They should be given opportunity to use their abilities to make maximum input, based on agreement; and also, they should be held accountable.
  - vi. Decentralisation – this involves delegating authority; for instance, profit centers should be set up as strategic business units which operate close to their market, and with considerable degree of authority.

By and large, there is the need to remove superfluous layers of management and supervision in order to promote flexibility, facilitate swifter communication and increase responsiveness. Also, people should be given more responsibility as individuals or team, to reduce cost.

## **SELF-ASSESSMENT EXERCISE 2**

- i. Briefly explain the following:
  - (a) Organisational analysis
  - (b) Organisational diagnosis.
- ii. Outline the factors that will help to optimise the activities of an organisation.

## **3.5 Organisational Planning**

Armstrong (1995) defines organisation planning as the process of converting analysis into design. It determines structures, roles, human resources requirements and the direction along which changes should be implemented. As pointed out earlier, there is no single best way of designing an organisation, a choice could be made between alternatives,

all depending on prevailing circumstances, the inclination of top management, strength and weakness of management, and available human resources.

Organisational design experts should not impose their own ideology on the organisation. They are expected to be decisive, ingenious and sensitive in their analysis of the situation; and also, they have to be deliberate in their approach to the evaluation of alternatives. After planning and defining the structure of relationships and roles, it is also necessary to give due consideration to implementation. Implementation can be in phases, especially-for instance, if new people are to be recruited and trained.

Now, to review an organisation, as suggested by Armstrong (1995), the following steps should be taken:

1. An analysis of the existing arrangements and the factors that may affect the organisation now and in future.
2. A diagnosis of what needs to be done to improve the structure of the organisation.
3. A plan to implement any revision to the structure- emerging from the diagnosis, this can be in phases. The plan may include long term considerations of the structure of the organisation- in terms of the type of managers and employees who will be required to operate within it.
4. Implementation of the plan.

### **3.6 Organisational Analysis**

Analysis is the starting point for any form of organisational review. This will reveal the existing circumstances, structure and processes of the organisation and an assessment of the strategic issue that may affect it in the future. This covers the following areas.

- The external environment – the economic market and competitive factors that may affect the organisation- plan for product-market development will be significant.
- Internal environment – the mission, values, climate, management style, technology and processes of the organisation (as they affect the way it functions and) should be structured to carry out those functions.

Here too as mentioned earlier, flexibility, role clarification, decentralisation and the need to cut down superfluous layers of management and supervision should be given due consideration.

## **4.0 CONCLUSION**

In this unit, it has been made known to you that every organisation exists for a purpose; and that organisational design is a process of decision-making to bring about coherence between goals and purpose for which an organisation exists. This can be done by constructing and changing the structure of the organisation to achieve its goals.

It has also been mentioned to you that organising involves a process which Armstrong (1995), describes as the design, development and maintenance of a system or coordinated activities in which individual and group of people work cooperatively under a leadership, towards commonly understood and accepted goals.

## **5.0 SUMMARY**

In this unit, you have been taught that organisational design has to do with a continuous monitoring and assessment of the link between goals, structure and rewards, the creation and choice of alternative actions (when there is a disconnect) and implementation of a chosen design. The process of organisation involves the grand design and redesign of the total structure and this includes the choice on how to break the overall task into sub-tasks which can be performed by individuals and group of individuals.

You also learnt that optimising the activities of a business involves- among others, clarifying the overall purpose of the organisation defining, as precisely as possible, the activities required to achieve that purpose. Also, it has been made known to you that organisational review can be conducted through the following steps, namely- the analysis of the existing arrangement, a diagnosis of what needs to be done to improve the efficiency of the structure, and a plan to implement revisions to the structure-in the aftermath of diagnosis.

## **6.0 TUTOR-MARKED ASSIGNMENT**

What major element would you consider necessary when analysing an organisation.

## **7.0 REFERENCES/FURTHER READING**

Armstrong, M. (1995). *A Handbook on Human Resources Management Practice*. Wilford: Kogan Page Ltd.

Cole, G. A. (1996). *Management: Theory and Practice*. Martins Ltd.

Galbroulth, J. R. (1977). *Organisational design*. London: Addison - Wesley Publishing Company.

Robbins, S. (1987). *Organisation Theory: Structure Design and Application*. U.S.A.: Prentice Hall International Inc.

## **UNIT 2     NATURE OF ORGANISATIONAL DEVELOPMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Concept of Organisational Development
  - 3.2 The History of Organisational Development
  - 3.3 Characteristics of Organisational Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the last unit, you were taken through organisational design- as a tool for changing and reconstructing an organisation to achieve its purpose and goal. In this unit, you will be exposed to the nature of organisational development. Organisational Development (OD) entails programme planning and implementation, aimed at enhancing organisational effectiveness.

For every organisation to be effective, it must respond to the dynamics of change in the environment within which it exists. Organisational development is an intervention strategy which uses group process to bring about this planned change. This can be achieved by focusing on the whole culture of the organisation. This important study will x-ray the processes and different intervention strategies that can stimulate organisational effectiveness.

### **2.0 OBJECTIVES**

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

- explain the concept of organisational development
- analyse different definitions of organisational development
- identify the characteristic of organisational development
- relate the history of organisational development to its contemporary practice in different organisations.

### **3.0 MAIN CONTENT**

#### **3.1 The Concept of Organisational Development**

Organisational development is concerned with the planning and implementation of programme to enhance the effectiveness of an organisation and how it responds to change. The purpose is to adopt a planned and coherent approach to improving organisational effectiveness.

Of course, this effectiveness can be viewed from the need for the organisation to meet its goals. Effectiveness can also be viewed from the need to meet the aspirations of stakeholders; matching resources with opportunities; adapting flexibilities to changes in the environment, and creating a culture that enhances commitment, creativity, mutual trust and shared value.

Organisational development is concerned with process, not structure or system. It focuses on the way things are done, rather than what is done. Process indicates the way people interact and act, it defines the role people play- continually, involving other people and adapting to changing circumstances. Organisational development, as an intervention strategy, uses group processes to bring about planned change, by focusing on the totality of the culture of the organisation. The target is to initiate a change in people's beliefs, attitudes, values, structure and practices. This will enable the organisation to adapt to technological advancement and to cope with the challenge posed by change.

In the 1950s and 1960s, organisational development evolved in response to needs; the limitation of conventional training method in building better organisational behaviour created a challenge. National training laboratories and others started working on the problem, and eventually, organisational development evolved from their efforts.

According to Kaith Davies, two main factors made organisational development inevitable. First, the reward structure on the job did not adequately reinforce conventional training; so it often fails to yield any result. Many well-designed programmes failed because the job environment provided inadequate support. Organisational development attempts to change the entire organisation so that it will support training.

Secondly, the dynamism of change which made it necessary for organisations to be effective must be flexible enough to respond to this change adequately. Organisational development must enhance communication (and accuracy of information) through better, group dynamics in order to deal with this challenge.

**Now**, French and Bell (1990), defines organisational development as a planned, systematic process in which applied behavioural science principles and practices are introduced into an organisation to achieve greater organisational efficiency and productivity. The focus is on organisational improvement; or- to put it in another way, total change of system for the purpose of achieving desired results, through planned activities. From the above definition we can deduce the following:

- a. organisational development is a planned, deliberate activity
- b. it stimulates an intervention process, using behavioural science principles and practice towards attaining organisational goals
- c. its aim is to bring about organisational improvement, greater organisational competence and effectiveness
- d. it is a systematic process.

Also, Cole G. A (1960), defines organisational development as a strategy for improving organisational effectiveness, through the application of diagnostic and problem solving skills. This is done by external consultants, in collaboration with the management of the organisation.

Here, from this definition, the following deductions can be made:

- a. Organisational development is a process that cuts across the entire organisation; it takes an essentially systemic view of the organisation.
- b. It utilises the techniques and approaches of the behavioural sciences, for example, psychology, social psychology, and sociology.
- c. Organisational development involves the intervention of an external third party in shape of change agent and an experience behavioural science application. In work situation, the change agent could be consultant or experience professional in the field of organisational development.
- d. Organisational development is aimed at organisation's effectiveness. It focuses on change of structures and decision processes, as well as change of people's behaviour. It is more than management development.

Bennis (1960) has also attempted to define organisational development as a response to change, a complex educational strategy intended to change the beliefs, attitudes, values and structure of organisations; so that they can better adapt to new technologies, markets challenges and the 'drizzling' rate of change itself.

### **SELF-ASSESSMENT EXERCISE**

What is organisational development?

### 3.2 The History of Organisational Development

Any organisation consists of people who come together with the aim of satisfying one goal or the other. The pursuit of the attainment of their objective, demands that they have to develop their resources, and regulate their conduct and behaviour to keep the organisation together to reach those objectives. Harold M. F. (1973), points out that it was not until the middle of 1950 that the term organisational development gained popular usage. Organisational development, according to him, was used to describe the development associated with sensitivity training.

Harold further points out that in the 1950s and early 1960s, most of the professors and consultants who were associates, brought with them many of the values and skills of the laboratory training; that is, increased sensitivity to one's own behaviour and to the behaviour of others, development of open and candid communication, development of trust and so on. As these consulting activities expanded, and as more and more companies began to experiment with modified laboratory training-internally, emphasis began to shift from experimental learning, principally for increased psychological awareness, to concern for work related problems and goals of the organisation. The problems and goals addressed tend to be those of the managers in the meeting, rather than the larger concerns of the total organisation. This technique is known as team building.

Persons who are not members of this organisation served as trainers in the laboratory, and frequently took active role as interviewers and as data collectors. So, as outsiders or third party, they analysed the behaviours and interactions, and made their findings and observations known to the group. However, managerial grid, which was already in use at that time, made significant contributions to the evolution of organisational development. Firstly, it called for an orderly, distinct and systematic approach to dealing with material and economic concerns of the organisation, as well as with interpersonal relationship. Secondly, the grid was designed to be organic, in that it did not require a third party as trainer; rather, it depended on members of the organisation to conduct and manage the programme, using guidelines and other preferred materials which were referred to as "instrument".

Whereas, early attempts at developing managers with participative style of management were almost entirely experimental, the grid (and some other normative organisational development technologies that evolved at that time), was based on the assumption that leadership styles can be taught and learned; although the learning process was experiential. So,



organisations began to experiment with what was increasingly labeled organisational development.

### **3.3 Characteristics of Organisational Development**

Here, let us consider some features of organisational development, as itemised below.

#### **1. Focus on the whole organisation**

Organisational development attempts to develop the whole organisation, so that it can respond to change, effectively. Change is critical in modern business environment together; in order to take care of the challenges of change, organisational development puts in place a comprehensive programme that ensures that all parts of the organisation are well coordinated.

#### **2. It is system- oriented**

Interaction of the different parts of the organisation, (as they affect each other), is the concern of organisational development. This relates to culture, process, and attitudes. It is concerned with relationships and how all the parts work together, effectively.

#### **3. Use of change agents**

This involves the use of one or more change agents who are professionals, outside or within the organisation. They are to work independently, without any bias. Here, the consultant works with the management-probably, the personnel director, to evolve an organisational development programme.

#### **4. Problem-solving approach**

Organisational development goes beyond classroom theoretical discussion to practical problem solving.

#### **5. Experiential learning**

This indicates that participants are able to learn from their experiences, by expressing- in the training environment, the kind of problems they face on the job. They are able to analyse and learn from the problems. This system tends to produce behavioural change, rather than classical theoretical and abstract discussions that bear no practical consequence on the participants.

**6. Group process**

Organisational development relies on group process such as group discussion, intergroup conflicts, confrontation and procedure for cooperation. There is an effort to improve interpersonal relations, open communication channel, build trust and encourage responsiveness to others Curt Lewins (1887).

**7. Feedback mechanism**

It relies seriously on the feedback from participants; this will generate concrete data for decision-making. Organisational development is also said to be situation-contingency oriented; it is flexible, pragmatic, and adapting actions to fit particular needs.

**8. Team- building**

Organisational development encourages people to work together and collaborate. Organisational development process attempts to integrate, into effective unit, the four elements of people, structure, technology and environment.

**4.0 CONCLUSION**

Organisational development is concerned with process, structures or system. It is concerned with the way things are done, rather than what is done. It uses group processes to stimulate planned change, by focusing on the whole culture of the organisation.

Organisational development is inevitable, because the reward system on the job will adequately compensate for and reinforce conventional training. Secondly, an organisation should be proactive because of the dynamism of its environment; and hence, there is a need for flexibility to enhance response to change.

**5.0 SUMMARY**

In this unit, you have been exposed to the concept of organisational development. It is concerned with the planning and implementation of programmes designed to enhance efficiency in an organisation. You have also been taken through the history and the characteristics of organisational development.

**6.0 TUTOR-MARKED ASSIGNMENT**

Organisational development is a strategy for improving the efficiency of organisations through the application of diagnostic and problem solving skills. Discuss.

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## **UNIT 3 ORGANISATIONAL DEVELOPMENT: OBJECTIVES AND PROCESS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Objectives of Organisational Development
  - 3.2 Organisational Development Process
  - 3.3 Organisational Development Interventions
  - 3.4 Major Approaches to Organisational Development
  - 3.5 Benefits and Limitations of Organisational Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the previous unit, you learnt about the nature of organisational development. It was noted that organisational development is a necessary intervention strategy targeted at initiating a change in people's beliefs, attitudes, values, structures, and practices. This will enhance technological advancement and help an organisation to cope with the challenges posed by change. The overall aim of organisational development is to bring about improvement in an organisation's effectiveness.

### **2.0 OBJECTIVES**

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

- state the objectives of organisational development
- describe organisational development process
- identify major approaches to organisational development
- evaluate organisational development intervention.

### **3.0 MAIN CONTENT**

#### **3.1 Objectives of Organisational Development**

Let us consider the objectives one after another:

- to create open problem – solving climate through the organisation
- to increase the self-discipline and sense of purpose of the people within the organisation
- to foster trust among individuals and group throughout the organisation
- to develop a reward system that recognises the achievement of the mission of the organisation
- to bring decision-making and problem solving responsibilities close to the source of information as much as possible
- to increase sense of ownership within the organisation
- to encourage healthy competition in the workplace and to maximise collaborative effort.

### **SELF-ASSESSMENT EXERCISE 1**

Outline the main objectives of organisational development.

## **3.2 Organisational Development Process**

Organisational development is not an easy process; it can take a year or more, or it may even continue indefinitely. Organisational development method may differ, depending on the environment. However, Keith Davies (1984, p. 225) suggests the following steps:

1. Initial diagnosis- this involves the determination of necessary programme(s) by top management and consultants. The consultant may initiate making his/her input by interviewing various people in the organisation. The role of the expert, as well as the relationship between management and third party, is defined.
2. Data collection- this involves surveys to determine organisational climate and behavioural problems. The consultant may meet with groups- away from work- to gather information based on the following:
  - the kind of things that contribute to efficiency( or otherwise) on the job
  - the changes to be made to the way the organisation operates.

There should be clarity of information, as regards the problem facing the organisation. The consultant develops a picture of staff attitude and opinion, and gives suggestions on how identified problems should be solved.

3. Data feedback and confrontation

The data collected is reviewed by work groups; this will help them to discover areas of agreement as regards the aim and objectives of the programme. The purpose may be to improve profitability, improve staff motivation and so on. The objective is to restructure the company to obtain the full commitment of the management staff to a democratic style of leadership etc.

4. Action-planning and problem-solving groups use the data to develop specific recommendations for a change. The content and sequence of activities are designed to achieve pre-determined aims; the focus is on the actual problem of the organisation.

## **SELF-ASSESSMENT EXERCISE 2**

Identify and explain the organisational development process.

### **3.3 Organisational Development Intervention**

Intervention means interference; this is, precisely, the function that organisational development performs. Organisational development interference refers to the measure that goes into the organisational system, at a particular time, to arrest current inefficiencies. The system comes to a temporary halt, and a measure is introduced, at this point of crisis, which modifies the process. Intervention is at the heart of change process. The process of intervention is planned and managed; it takes the form of administrative, technical and social interventions.

- i. Technical interventions – this may include redesigning equipment, facilities, work flow, organisation structure or information processing methods. Technical interventions are concerned with the technology of the organisation as it helps or hinders the operation of the system.
- ii. Administrative intervention- this deals with the organisation's policies and procedure, its human resource operations- including upgrading, compensation and other reward system. Administrative interventions also include such basic concerns as re-assessment of the organisation's type of business, its product or services– and its relationship with its external environment.
- iii. Social intervention- this concerns the “people” or inter-personal aspects of the organisation. Many strategies are used in social interventions which are all based on assumptions. According to Rush, a healthy organisation is one in which people work collaboratively, where people trust and support each other and sharing influence and participating in new system of management. An aspect of this intervention is tailored towards dealing with individual effectiveness.

However, it is the group, whether formal or informal, that determines the type of intervention.

The major focus of social intervention is the group as a social unit; and more specifically, small, face to face groups with work related ties and interaction. Social intervention includes wide variety of activities to improve communication, team building, conflict resolution, group feedback and a host of other strategies. This is to improve interpersonal competency and collaborative effort as identified by Rush, Harold (1973: 8). Plans are specific; including personnel in charge and when the action should be completed.

iv. Team building- the consultant encourages the group members to, critically, x-ray how they work together during the period. He assists them to appreciate the value of open communication and trust as tools which will enhance efficiency on the job.

v. Inter-group development

Following the development of group/team, larger groups may be constituted- having several other teams.

vi. Evaluation and follow up

The third party assists the organisation to assess the result of its organisational development efforts, and develops additional programme areas where additional results are needed.

### **SELF-ASSESSMENT EXERCISE 3**

Identify and explain various strategies of intervention in organisational development.

## **3.4 Major Approaches to Organisational Development**

According to G. A. Cole (1996: 25), most of the activities in a programme can be classified into three, namely:

- a. those aimed at changing people's behaviour
- b. those aimed at changing the structure of the organisation
- c. those aimed at analysing problems.

He points out the example of typical activities for each of the three classifications, which are briefly described below.

- i. Activities designed to change behaviour at work include:

- coaching and counseling activities, designed to help individuals, usually on a one on one basis
  - team building activities, designed to build team relationships and enhance task effectiveness
  - inter-group activities, designed to improve the level of collaboration between interdependent groups
  - training and development activities designed to improve the key areas of employee's knowledge and skill. This involves a range of participatory learning method.
- ii. Activities aimed at changing the structure of an organisation include:
- role analysis; focus on present job description and devising new configuration of job tasks.
  - job redesign/job enrichment – reassessing current jobs in terms of range and type of task.
  - re-allocating tasks, and re-defining job responsibilities.
- iii. Activities aimed, primarily, at analysing problems can take the following forms:
- planning and objective-setting activities designed to improve planning and decision-making skills.
  - business process re-engineering which examines key business process from a question point of view.
  - diagnostic activities utilising questions, surveys, interviews and group meetings.
  - process consultation- where the third party helps client to see human processes taking place around him. It takes care of leadership issue, communication flow between individuals or groups, struggle for power and so on.

#### **SELF-ASSESSMENT EXERCISE 4**

- i. Discuss major intervention programmes aimed at changing behaviour at work.
- ii. What is organisational development interference?

### **3.5 Benefits and Limitations of Organisational Development**

Let us start by looking at the advantages here.

1. It stimulates change throughout an organisation
2. Organisational development enhances greater motivation.
3. Organisational development increases productivity.



4. It enhances improved quality of work.
5. Proper implementation of organisational development programme enhances job satisfaction.
6. Organisational development stimulates creativity and commitment to the organisation's objective.
7. It enhances team work.
8. It induces workers to appreciate and respond to change.

### **Limitations of Organisational Development**

Some of these limitations are as listed below.

1. The need for change may not be spontaneous.
2. It is substantially expensive; especially, when external consultants and experts are involved.
3. It lays emphasis on group process, rather than individual performance.
4. There is no guarantee for total success, it can fail.
5. It could be subversive; and it is prone to the manipulation of the top management.

## **4.0 CONCLUSION**

The major objective of organisational development is to improve overall organisation's effectiveness; its emphasis is actually on group processes though the methods may differ depending on the organisation. There are various intervention processes which can be used to dismantle current ineffective operation, this process of intervention strategies are planned and managed and these could be in form of social, technical and administrative interventions.

## **5.0 SUMMARY**

In this unit, you have learnt the objectives of organisational development which include creating open problem solving climate, increasing self control and self direction for people within the organisation, fostering trust among individuals and group throughout the organisation and others.

Also, organisational development process and major approaches which should be included in organisational development programme were discussed.

You also learnt the intervention strategies which may take the form of a technical, administrative and social intervention and finally, the benefits and limitations of organisational development were discussed. The benefits are derived from the premise that it stimulates change

throughout the organisation, provides greater motivation, increases productivity, enhances team work among many others.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Organisation intervention is a measure for arresting ineffectiveness. Discuss.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 4     CONCEPT OF INNOVATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Understanding the Concept of Innovation
  - 3.2 Invention versus Innovation
  - 3.3 Innovation and Organisation
  - 3.4 Management and Intellectual Process
  - 3.5 Management Innovation
  - 3.6 Innovation and Organisational Structure
  - 3.7 Managing Innovation in a Large Organisation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the previous unit, it was pointed out to you that the business environment is highly dynamic; that any organisation that wants to be sustainable and effective must respond to changes or be ready to die. In this unit, you will be exposed to the concept of innovation and organisational development.

According to Howard, innovation can be seen as a uniquely human quality. He further opines that, change renewal and rejuvenation are normal, healthy, human tendencies; in other words, innovation is an instrument that can propel change, though not all changes are innovative. This unit will explore innovation- as it relates to organisational development. This study will open your eyes to the enormous responsibilities of management-in trying to keep the organisation effective, through creative and innovative activities.

### **2.0 OBJECTIVES**

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

- relate innovation to organisational structure
- describe how to apply the concept of innovation in managing large organisation
- explain the concept of innovation
- differentiate between invention and innovation.

### **3.0 MAIN CONTENT**

#### **3.1 Understanding the Concept of Innovation**

Innovation is a vast subject. It means many things to many people. It also could be viewed from the perspective of the tangible and intangible- ranging from a new idea, theory, machine and tool, to social arrangement and behavioural pattern. These all fall under the general subject of innovation.

According to Howard Mcmahim, as mentioned earlier, innovation is a uniquely human quality- a natural human activity. It is planned and deliberate. It is also a continuous process; whenever there is innovation, change is initiated, and those affected by change must, in-turn, innovate in response. Thus, innovation leads to change, which necessitates further innovation, which again leads to change in a continuing cycle.

“Innovate or die”- has become the slogan in many industries. Hence, in these industries, where dynamism has become a fact of life, innovation has become closely linked with organisational effectiveness. Any organisation which does not confront change, or which believes that it does not need to innovate, becomes stagnant, and consequently decayed, and phased out of existence.

Now, innovation can be defined as the adoption of ideas that are new (Stephen Robbins: 1984). Stephen Robbins further argues that all innovations, therefore, represent a change; but not all changes are innovative. An innovative change breaks new ground for an organisation. In the same vein, Robert Kirk (1971), identifies innovation as a deliberate, novel, specific change aimed at accomplishing the goals of the system, more effectively.

According to Kirk, the intention of innovation should be positive, rather than revolutionary and rebellious. However, if it satisfies a want or nullifies annoyance- as sociologists put it, the innovation gathers a following and is accepted. One important aspect of innovation is useful change; it could also be relative; if it is new to the people involved, it is an innovation.

#### **SELF-ASSESSMENT EXERCISE 1**

- i. Examine the concept of innovation.
- ii. Give two definitions of innovation.

### 3.2 Invention versus Innovation

Invention has to do with creativity and discovery. It may not necessarily be useful. The most important thing is that it is a discovery; in other words, something new is brought into being. However, the word innovation can be viewed also as the act of introducing something new; to make a change, especially in customs, manner and rites. It is the process by which an invention or an idea is translated into the economy for use. Innovation is differentiated from invention, in that; it is a change which is new to the economy as well as to a particular institution. When innovation is new only to an institution, it is classified as an instance in the diffusion process.

It is pertinent to note that innovation is not limited to technological production and processes of the industrial and business world. There are many other fields where non-technological innovations are of great importance, for instance, in social institutions and their inter-relationships. Both invention (conception of an idea) and innovation (the use of the idea) constitute the total process by which new ideas are nurtured, developed and finally introduced into:

- a. the economy- as new product and process
- b. the organisation- to change its internal and external relationship
- c. the society- to meet its social need and adapt to the world.

### 3.3 Innovation and Organisation

Technological innovation has become principally recognised, if not the principal instrument- in inter-corporate competition, according to Schoon. For individuals within the firm, technological innovation has become a major task and the major link to upward movement. Schoon looks at invention from a rational view point; it is a result-oriented, orderly intellectual process. However, from the non-rational point of view, invention often works backward; and once the process of technical development begins, it does not usually move in a straight line, but it takes unexpected twists and turns.

According to Schoon, needs and technique determine each other, and answers frequently turn up in surprising places. Finally, he points out that from the rational point of view, innovation can be managed, and it is subject to intellectual control.

### 3.4 Management and Intellectual Process

Management has three main intellectual functions, which are policy making, decision-making, and control. However, though management is

basically an intellectual task, it has an emotional aspect and social aspect; all the three constitute the tasks which managers perform. Now, let us look at the characteristics of intellectual management process-as itemised below.

1. It concerns growth – this is the stewardship obligation involving formulation of objectives and synthesising added value. It includes establishing a company charter, the development of creed, a mission, basic policies and the creation of corporate personality.
2. It is based on optimum use of resources and profit – in this respect, management must ensure overall standard of quality, balanced profitability, growth- covering both short and long term; reproduction of management function itself. The task also involves professional specialisation and the development of alternative strategies, programme and task.
3. It has certain inter-related activities – the intellectual management process is concerned with the inter-dependent areas of communications, control, personal attainment and career fulfillment. It requires the sequential phasing of interrelated activities and addition of value.
4. It involves the formulation of a practical philosophy of conduct – this entails setting objectives, planning, organising, evaluating and control.

It also includes the creation and development of new inputs, innovations, commercialisation, and renewal, coping with competition and dealing with environmental factors. Management must establish time-bound targets which are measurable as distinct from corporate objectives.

The complete management process consists of a group of sequential, or in some cases, parallel operations which constitute economy of activities conducted on an industrial scale. Then, management is concerned with each of the individual units and their relationship to each other- as well as external environment.

## **SELF-ASSESSMENT EXERCISE 2**

- i. Describe three areas where invention and innovation are relevant.
- ii. Outline the characteristics of intellectual management process.

## **3.5 Management Innovation**

While changes in technology are moving rapidly within the managerial sphere; the environment outside is moving even faster. Fortunately,

additional management science techniques and information communication technology are helping managers cope with these. New organisational concepts for handling the interface of the managerial sphere with the external environment are also evolving. Professor Aristhen describes the opportunity that exists for a manager in terms of three options; these are as stated below:

1. to mobilise all company resources around the concept of becoming a creative technological leader-the first in the industry
2. to organise resources around the central idea of becoming an early initiator and user of the successful innovation of the industry's creative leader
3. to become low-priced mass producer of an established product, sacrificing high margins and high risk of innovation for higher volume, and limited risk of low-priced imitation.

### **3.6 Innovation and Organisational Structure**

According to Robbins (1987), organisational strategy sets the overall frame- work for the importance of innovation. Of course, one can argue that it is associated with stable environment; bureaucracy is not that important to innovation. Its value lies in efficiency through standardisation, not initiating new and novel ideas. Innovation is, most likely, to flourish in adhocracies and simple structures. Innovation is stimulated in adhocracies by its personnel (who tends to be professional), the lack of formalisation, and the active involvement of low-level employees in decision-making.

The key to innovation, as pointed out by Robbins (1987), is simple structure. However, it lies not in the structure, but with the Chief Executive Officer (CEO); the evidence indicates that the personality, power, and knowledge of the CEO differentiates those simple structures that innovate from those that don't.

Essentially, the CEO in innovative organisations has a personality style that demonstrates confidence in the ability to control the environment; also the CEO has centralised power for maximum control and possesses considerable knowledge about changes taking place in their organisation's environment.

### **3.7 Managing Innovation and Size**

The present decade, in the global business environment, is witnessing so much dynamism, with many firms emerging and some disappearing. While some are failing, others are succeeding. The vibrant ones will experience credibility and rapid growth, according to Robbins (1987).

However, this growth- coupled with a need for flexibility to cope with a highly uncertain and rapidly changing environment, will pose critical challenge to managers and organisational theorists. The fundamental question is this- can a large organisation with large number of employees be designed with the same adaptive and innovative properties that they had when they were small?

It is pertinent to note that organic structures tend to take in mechanistic characteristics as they expand in size. It is obvious that many bureaucracies have tried to increase their flexibility by attaching organic or entrepreneurial units to other mechanistic main frames. However, the large high-tech firm won't be able to sustain its innovative climate by moving to a bureaucracy with organic "add on". These firms will require a structure that is organic at its root.

#### **4.0 CONCLUSION**

Innovation has become a fact of life in this our present, dynamic business environment. It is also associated with organisational effectiveness. Any organisation that refuses to confront change and plays down on innovation will become stagnant, and consequently, it will fold up. Obviously, innovation represents change, but not all changes are innovative. Innovation must be deliberate to accomplish the goal of a system. Invention differs from innovation; but both invention and innovation make up the total process by which new ideas are developed, nurtured and finally injected into a system.

Technological innovation should be recognised as the principal instrument in inter-corporate competition. It has become a major task and the major link to upward movement. An organisation's strategy sets the overall framework for the importance of innovation.

#### **5.0 SUMMARY**

In this unit, you have learnt the following:

- innovation is the adoption of ideas that are new to an organisation
- innovation breaks new ground for the organisation
- invention has to do with creativity and discovery
- innovation constitutes a process by which an invention or idea is translated into the economy for use.

You also learnt that bureaucratic organisations are not flexible and willing to adapt to changes; and this can create a crisis which will eventually force them to try new ideas.



## **6.0 TUTOR-MARKED ASSIGNMENT**

1.
  - a. What is the difference between innovation and invention?
  - b. Discuss the characteristics of intellectual management process.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 5      ORGANISATIONAL GROWTH**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Concept of Organisational Growth
  - 3.2 Starbuck's Growth Survey
  - 3.3 Models of Organisational Growth
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The growth of an organisation will be our major concern in this unit. Growth is important, and it is associated with living things, as you were taught in elementary Biology. The human body is made up of systems and sub-systems (different parts) working together to ensure effectiveness and growth. As pointed out earlier on, an organisation is a system also having different subsystems, all working together to achieve pre-determined objectives.

An organisation, that is consistent with its objectives, grows. The measure of organisational growth is effectiveness. Growth is represented in an organisation by an increase in some variables such as total work force, plant capacity, assets, sales, profit, market share and number of innovations. It implies a comparison of the present state of an organisation with its past. Organisations may start in a small way, but if proper attention is given to the above variables, growth is inevitable; and of course, when an organisation is not growing, it will eventually die and will be phased out of existence. In this study, you will be taken through an analysis of the critical factors responsible for growth, and the reasons why an organisation should grow.

### **2.0 OBJECTIVES**

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

- explain the reasons for organisational growth
- analyse models of growth in organisations
- outline advantages associated with growth in organisations
- evaluate the concept of evolution and revolution and the way it results to growth

- evaluate factors responsible for organisational growth.

### **3.0 MAIN CONTENT**

#### **3.1 The Concept of Organisational Growth**

Growth is associated with existence, as earlier mentioned. It is an evidence of good health and success; it is also the only way to measure the effectiveness of a system. In some organisations, growth is measured in terms of expansion and increase in such vital variables like total work force, plant capacity, innovations, assets, sales, profits, market share and so on.

In the life cycle of an organisation, there are two most important significant stages, these are growth, and decline. Both of these, doubtless, create distinct different organisational problems and opportunities for managers.

The following are the reasons for growth; let us consider these one after the other.

##### **1. Growth is a measure of effectiveness**

Effectiveness is generally judged from the point of growth, as organisations expand and grow bigger. The common assumption associated with growth and bigger organisation is that it is well managed. Growth is, significantly, the evidence that the organisation is healthy; and expansion is an indication that an organisation will survive.

##### **2. Growth increases the likelihood of survival**

Growth enhances survival; the tendency for a large organisation, for instance- a multinational, to close down is unlikely, when compared with that of an upcoming or small organisation. Research has shown that eighty (80) percent of small businesses die in Nigeria within five years of existence. The reason may be that small organisations do not enjoy total support from their environment.

Large organisations, probably, because of their dominance (in the economy) and growth- in term of facilities, market share and asset base, are provided with more resources from the government, banks and so on, with which they can use to cushion the effect of uncertainties. For instance, forces in the environment are likely to support the survival of First Bank of Nigeria and Guinness Nigeria Plc, than the survival of Ketu Community Bank and Kola and Brothers Company Ltd.

**3. The bigger the organisation, the more the advantages**

This notion constitutes one of the strongest motivating forces driving organisations towards growth- the bigger the organisation, the better. Large organisations, because of their size, enjoy economies of scale, which is the bedrock of greater efficiency. Moreover, the bigger the organisation, the more the public confidence and support it will enjoy. Growth also indicates that an organisation will be able to cope with the challenges of the business environment.

The pursuit of growth is the force behind acquisitions, mergers, consolidation and rush into the capital market to raise more share capital for business expansion. In Nigeria, over eighty-nine (89) banks were reduced to twenty-five (25) through the process of merger and acquisition. The objective is to provide efficient services, restore public confidence and provide greater resources for efficient business operations in the financial sector of the economy.

**4. Growth is associated with power**

Growth avails large organisation more power. Compared to smaller organisations and groups in the environment, large organisations exercise greater influence with government, suppliers, customers, unions, and so on. The political influence of big corporations reflects in their attempt to perpetuate their dominant interest through lobbying legislatures at both state and federal levels. Growth increases prestige, power and job security and has a defect of enhancing self-interest among the top management.

Also from power and control perspectives, it is noted that the remuneration of executive officers is linked to the size of the organisation, rather than profit margin. Whether an organisation makes profit or not does not bear total reflection on the remuneration of executive officers. This is the result of deliberate managerial decisions. Growth provides economic benefits to the organisation; it provides political benefit to the executive decision maker in the organisation, thus constituting an inevitable force that stimulates growth and expansion.

**SELF-ASSESSMENT EXERCISE 1**

- i. Identify and explain five reasons why organisations should grow.
- ii. Growth is effectiveness, effectiveness is growth. Discuss.

### 3.2 Starbuck's Growth Survey

Starbuck (1965), after an extensive survey, has given reasons for the growth of an organisation. He proposes the following ten most important reasons:

1. Self-realisation – it is obvious that any organisation that ignores growth and expansion will, invariably, contract.
2. Stability – the larger the company, the more their product and services will be diversified. Big Organisations tend to have variety of products and services, creating opportunity for the consumer to make a choice.
3. Survival – if a company is large enough, the prospect of sustainability will be very high.
4. Management prestige, power and security – as Parkinson points out, an officer wants to multiply subordinate, not rivals.
5. Profit – this is a controversial issue because of its importance- as a motivating force, and also because of its relevance to the growth of the company.
6. Monopolistic power – this is perhaps most common in certain type of nonprofit organisation, such as trade unions.
7. Management's need of adventure and risk – they play the game for its own sake.
8. The salary of executive officers depends on the size of the company.
9. An oligopoly market – here, maximum sales is the goal.
10. Low costs – advantage of economy of scale.

### SELF-ASSESSMENT EXERCISE 2

Using the Starbuck Growth Model, explain the rationale for organisational growth.

### 3.3 Model of Organisational Growth

Larry Greiner (1972), proposes some models of organisational growth; after a critical survey of some organisations, he came up with the propositions that the evolution of an organisation is characterised by phases of prolonged and calm growth. This is followed by a period of internal turmoil. The former, he called evolution, and the latter, he called revolution. In his analysis, he argues that each stage of evolution or growth creates its own crisis. The revolution of crisis initiates a new evolutionary phase.

Accordingly, success creates its own problems. As an organisation grows, it faces new crises. Each of these crises, in turn, requires

management to make adjustment in coordination systems, control system and organisational design (Robbin, 1987). Now, the evolution and evolution processes create the following five steps:

1. Creativity – the creativity of the initiators of the organisation constitutes a very important first stage in organisational growth process (evolution). At this stage, development of product and market is very essential because the attainment of the organisation's objectives (and growth) is contingent on these factors. Also at this phase, simple decision on organisational structure predominates; and decision-making is by top management or the owner (CEO). There is, frequently, an informal system of communication at various levels of the organisation.

Furthermore, growth and development in the organisation result in difficulty of relying on this mode of informal communication. This is because the senior manager will, likely, be overloaded with information (more than he/she can cope with); this will result in crisis of leadership. Then, more skill and professionalism will be required to run the organisation, successfully. This is accomplished by introducing more sophisticated management style and organisational technique to take care of the challenges of growth and expansion.

2. Direction – a new leadership may adopt new system of formal procedures, communications, accounting, budgeting, inventory, etc. They can also introduce specialisation which can give rise to a bureaucratic organisational design. This new direction will, likely, instigate another crisis, where the lower level manager will become frustrated, thus craving for greater influence in decision-making. However, the new management may respond with reluctance, unwilling to give up authority; and consequently, another crisis will emerge which will be a crisis of autonomy. This will give rise to the decentralisation of the decision-making process, as a solution to this crisis.

3. Delegation – with the introduction of a decentralised decision-making process, lower level – managers will have relative autonomy to run their units. This creates room for the top management to devote their time, and concentrate on long term strategic planning. Internal control system will be developed to monitor the decisions of lower level managers, and this will result in crisis of control, while the lower level managers enjoy autonomy. The top level managers will have a phobia because of the multiplicity of direction in the organisation- at the same time; and this may give rise to centralisation again, so as to provide unit of command and coordination.

4. Coordination – here, coordination system generates its own problems. Line staff may also have conflict; this will manifest problems, and will

begin to consume a great deal of time and effort. Another crisis looms as lower level employees start to complain of being overburdened with too many rules, regulations and control. Crisis of 'red-tapism' occurs, which may lead to goal displacement, if not taken care of.

5. Collaboration – strong interpersonal collaboration within the organisation takes over the next stage to solve the problem of 'red-tapism'. Strong organisational culture is created, task force and other groups are initiated to perform tasks and solve problems. The organisational structure moves toward organic form. However, Greiner (1972) did not state, clearly, the crisis that will evolve out of the collaborative and organic structure. However, Robbin (1987) suggests that it may well be a return to one of the earlier crises.

### **SELF-ASSESSMENT EXERCISE 3**

Identify and discuss three ways an organisation can achieve growth.

## **4.0 CONCLUSION**

Organisations operate like living systems. One of the evidences of good organisation is growth. Growth is the effective measure of organisational effectiveness; any organisation that does not grow, eventually, folds up.

Bigger and larger organisations enjoy better advantages compared to smaller ones. The likelihood of survival, stability and economies of scale are all resultant effects of growth.

## **5.0 SUMMARY**

In this unit, you learnt that growth is indispensable, if an organisation is managed effectively. You also learnt that there are several reasons why an organisation should grow. Certain models of organisational growth have also been critically looked at- from the point of view of Greiner (1970).

Greiner, as mentioned to you, introduces the concept of evolution and revolution, and how it engenders organisational growth through creativity, direction, delegation, coordination and collaboration. Accordingly, armed with this information, you should be able to evaluate growth in any organisation you find yourself.

## **6.0 TUTOR-MARKED ASSIGNMENT**

The concept of evolution and revolution theory is indispensable in stimulating organisational growth. What are the major processes and how do they result to growth?

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## **UNIT 6 METHOD OF ORGANISATIONAL GROWTH**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Mechanism for Growth
  - 3.2 The Company's Territory
  - 3.3 Feeler and Penetration Campaign
  - 3.4 The Principle of Systematic Development
  - 3.5 External Factors that Determine the Growth of a Company
  - 3.6 Competition and Organisational Growth
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the last unit, you were taken through the reasons why companies or organisations grow. It was pointed out to you that one of the evidences of organisational effectiveness is growth. A growing organisation enjoys many advantages over the smaller ones. In this unit, in continuation of the growth concept, you will learn about the method of growth and development in an organisation.

### **2.0 OBJECTIVES**

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

- identify mechanisms of growth
- evaluate the principle of systematic development in the light of the environment of modern organisations
- describe external factors that determine organisational growth.

### **3.0 MAIN CONTENT**

#### **3.1 Mechanism for Growth**

Organisational growth can be understood, at best, after a more detailed analysis and division into two sub-processes (Eric Rhenman 1969). The first process include the nature of learning process, which implies that new and more complex structure is developed inside or within the

organisation. This can be done by a system of achieving consonance, namely, mapping, matching, joint consultation and optimisation.

The second sub-process involves the extension and expansion of the organisation, which is usually through the domination of new element in the environment. These two processes combine into one complex process.

### **3.2 The Company's Territory**

The strategic position of an organisation, according to Rhenman, cannot be dissociated from its role. This, he points out, involves the relationship with the environment, and the resources available to the organisation, which include technical, economic and personnel. The part which the organisation dominates can be developed as territory, and this is very crucial to the growth of the company.

Domination may differ from one organisation to the other. Some organisations may dominate the source of one or more type of raw materials, while others may dominate one or more type of sub-markets. For instance, in Nigeria, majority of the oil companies dominate the Niger-Delta region where their raw material (crude oil) is located. This places them at a vantage position.

However, organisations that control smaller territory, either in terms of raw material or market, can be forced to integrate-especially at the earlier stages- in order to gain dominance by specialising in one way to gain position in some kinds of products in the market. Observation indicates that organisations, which succeed through the principle of domination of environment, concentrate their operation in developed, metropolitan areas.

These organisations with good foresight, take advantage of land purchases, and also acquire raw materials required for their main products. This benefit, in the long run, gives the organisation the advantage of using some of its profits for the creation of an efficient production and distribution apparatus, thereby building a large scale organisation.

#### **SELF-ASSESSMENT EXERCISE 1**

Discuss the nature of a company's territory in relation to organisational growth.

### 3.3 Feeler and Penetration Campaign

When the market is highly profitable, it attracts competition. Most organisations lay emphasis on strategic planning to consolidate their territory or place of dominance. Control of territory, according to Rheman Eric (1973), gives an organisation short run security and profitability. Beyond this, companies, systematically, put out feelers into new geographical market, new product areas, or new technologies.

The essence of feeler is to see how to evaluate profitability, beyond the short run, but in the light of new knowledge that can deliver. This will help in deciding either to renounce a particular market or attempt to capture or to penetrate the market. The basic aim of feelers and development project is to collect new knowledge and superior solution to environmental problem.

#### SELF-ASSESSMENT EXERCISE 2

Explain the role of feeler in organisational growth.

### 3.4 The Principle of Systematic Development

Taking control of a particular territory can be attained by deliberate use of some kind of systematic development which implies that certain strategic principles have to come into play. These strategies, according to Rheman, are as follows.

- a. Follow-my-leader principle – this involves following after or imitating the system developed by other organisations leading, in some sort, within the business environment. Even though their leadership position is unquestionable, ideas, could further improve with strategic thinking and researches, the leaders or initiators of the ideas, products could be surpassed in perfecting the system.
- b. Discovery of some dissonance between the dominating organisation and one of those subsystems in the environment- this is another strategy for system development which is traditionally known as market segmentation according to Rheman (1973). This can be achieved by identifying a rapid growing segment requiring much higher product quality; this puts a competitor in a very serious position of threat.
- c. Seek advantage by extending the system beyond the traditional boundaries. A system can be co-ordinated to go beyond a particular product or services to other related services and products, within one system. For instance, in Nigeria, the coordination of such sub-system is

found in the Banking Sector. Banks now engage in other related businesses like insurance, capital market operations and lots of others.

By improving the coordination of financial services and insurance (i.e. settlement of claims and tariff system) the banks are giving their customers an attractive offer. When the integrating system is larger and closer, the tendency for domination is greater.

d. Changing an existing system in some radical way often by shifting its boundaries or introducing a new technology. This can be described as a search for new concepts. The organisation must be fully aware of the business in which it is now engaged, as well as the one to be engaged in, in the future.

Rheman (1973) infers that any attempt to achieve dominance over the environment by redesigning its system of exploitation can generate conflict with other organisations than a simple extension of the system. He suggests that radical re-designing of system or system boundaries has its risks; however, there is much to benefit. Below, are the three principles identified by him.

1. Construct a system to maximise the benefit of its integration; do not include any sub-system unless it offers some important advantages.
2. Seek maximum uniformity of the territory, otherwise, some parts of the environment may not harmonise, satisfactorily, with the new system. This may likely invite some competitors to conquer part of the territory by segmenting the market.
3. Investigate the risk of anyone trying to conquer any part of the system, but integrate it in some way. He points out that ideas about systems that seem full of promises, sometimes, prove quite impracticable because it is not possible to incorporate one or two essential systems.

### **SELF-ASSESSMENT EXERCISE 3**

- i. Discuss the principle of systematic development.

### **3.5 External Factors that Determine the Growth of a Company**

Let us begin by first looking at the issue of environmental barrier. Studies have shown that the direction of a company's penetration project depends on certain characteristics of the environment. After comparing strategic development of some organisations, (having a life span of over hundred years), Rheman discovered that they have always tried to expand geographically into closely related product areas by applying a

kind of law of least resistance; sooner or later the expanding company tend to meet some sort of barriers.

Sometimes, this barrier could be so serious that the organisation's new strategic thinking may not be able to overcome them. Also, you should understand that these obstacles have been placed, intentionally or unintentionally, by some forces in the environment- for instance, the state, the municipalities, trade organisation, other companies etc.

When confronted with these obstacles, management needs to be strategic in battling the opponents. Katz (1969), proposes a number of general principles for strategic behaviour: he divides them into those applicable to large companies and those suitable for smaller ones. In large companies or organisations:

- a. planning is crucial
- b. giving up the crumbs is the key
- c. strength and stability are preserved.

For small companies or businessmen (drawing on lessons from guerilla warfare), he suggested five important rules:

- a. attack when the enemy retreats
- b. do not take full advantage of all opportunities
- c. be as inconspicuous as possible
- d. respond quickly
- e. retract when the enemy attacks.

Also, Rheman has recommended three strategic solutions:

- a. direct confrontation and exploitation of superior resources.
- b. depriving the opponent of his freedom of action.
- c. cooperating with the opponent or whoever controls the barrier- joint ventures are a typical example.

### **3.6 Competition and Organisational Growth**

All types of organisations are confronted with the challenge of competition. Contact with them and other contending opponent are almost indirect. Of course, the rule of the game does not permit any counter measure to harm the opponent and the only exclusive and allowed weapon is self- improvement, to develop superior product or superior system. However, considerable aggressiveness is welcomed in the area of market and immediate environment.

Also, another way to gain control is to leave competitors alone and concentrate on the market, which has a lot of unrealised opportunities. Note that it is not necessarily difficult for new product and systems, what is usually difficult and challenging is to perfect the system that can explore the product- as much as possible. Now, note that the following principles are relevant in the area of competition:

- a. the principle of systematic sub-optimisation
- b. the principle of leading subsystem.

#### **4.0 CONCLUSION**

In this unit, you have learnt that growth in organisation involves two sub processes. The first is the nature of learning process- which takes a look at the development of new and more complex structure within the organisation. This is carried out by a system of achieving consonance, which includes mapping, matching, joint consultation and optimisation.

The other involves extension and expansion, which are usually done through the domination of new elements and the environment by organisations. Other elements which can help an organisation to grow include environmental barrier, principle of sub-optimisation and leading system.

#### **5.0 SUMMARY**

In this unit, majorly, you have learnt that the growth of an organisation can be understood from two perspectives- the nature of learning process and organisational expansion through the domination of new elements in the environment.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Management needs to be strategic to overcome obstacles and opponents in their environment, according to Katz (1969). Recommend the strategic behaviour required by both large and small organisation to conquer these obstacles.

## 7.0 REFERENCES/FURTHER READING

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## **MODULE 2      ENVIRONMENT AND STRUCTURAL DESIGN IN AN ORGANISATION**

Unit 1	Environment and Organisational Development
Unit 2	Managing Environment
Unit 3	Structure and Element of Formal Structure
Unit 4	Structural Dimension of Organisational Design

### **UNIT 1      ENVIRONMENT AND ORGANISATIONAL DEVELOPMENT**

#### **CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Definition of Environment
3.2	Types of Environment
3.3	Environmental Uncertainty
3.4	Various Researchers and their Contributions to Organisational Environment
3.5	Environment: Structural Relationships
3.6	Environment and Complexity: Formalisations and Centralisation
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0      INTRODUCTION**

In this unit, you will learn about environment and its impact on an organisation. This is based on the premise that there is need for organisations to understand and adapt to the environment in which they are operating. Environment is dynamic and full of a lot of uncertainties; organisations must confront these uncertainties in order to operate effectively and efficiently.



## **2.0 OBJECTIVES**

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

- define environment
- identify types of environment
- evaluate the four kinds of environment proposed by Energy and Trust
- analyse the impact of organic and mechanistic environment on organisational structure
- differentiate between general, specific and actual/perceived environment.

## **3.0 MAIN CONTENT**

### **3.1 Definition of Environment**

Organisation is an open system; therefore, it interacts with its environment. Organisations depend on their environment. The need for mutual dependence and interdependence becomes the basis for cooperation and management of environmental forces. For effectiveness and efficiency, organisations are expected to adapt to the environment, this will help them to reduce uncertainty.

Since they cannot control or understand the effects of nature on desired outcome, it is necessary to adapt in order to achieve something worthwhile. As an open system, organisation must develop monitoring and feedback mechanisms, this will help to identify and make necessary adjustment in response to changes in the environment.

Now, Stephen Robbin (1987) identifies environment as composed of those institutions or forces that affect the performance of the organisation, over which it has little or no direct control. Another view on environment is that- if you take the universe, subtract from its subset that represents the organisation, what is left is environment. According to Galbraith (1977), anything that is not part of the organisation is part of the environment. He also points out the boundaries of many organisations as amorphous.

### **SELF-ASSESSMENT EXERCISE 1**

Give two definitions of environment.

## 3.2 Types of Environment

Let us look at a number of examples.

### 1. General environment

The general environment encompasses condition that may have an impact on the organisation; but their relevance is not overtly clear as stated by Robbins (1987). They include economic factors, the ecological situation and cultural condition, political condition, social milieu and the legal structure.

### 2. Specific environment

This part of environment bears direct relationship and relevance to the attainment of organisational objectives. The effectiveness of an organisation depends on these factors, and hence, they can affect the environment negatively or positively and therefore must be managed properly because they are critical to organisational growth and effectiveness. Every organisation has a unique environment and it could change with conditions.

Specific environment includes clients, customers, suppliers, competitors, and government regulations. Robbins points out that an organisation's specific environment will vary, depending on the domain it has chosen.

Domain is described as the claim that an organisation stakes out for itself with respect to the range of products or services offered and the market served. It identifies the organisation's niche. For instance, Guinness Nigeria Plc, and Nigeria Breweries Plc are both companies in Nigeria, operating in a distinctly different domains. University of Lagos and Yaba College of Technology are institutions of higher learning, within the education sector. These two institutions have different domains. The concept of domain is important because it is what determines the point at which an organisation is dependent upon its specific environment. Change the domain; you will eventually change the specific environment.

### 3. Actual/perceived environment

An attempt to define environment requires making a distinction between objective or actual environment and the one that the manager perceives. Evidence indicates that measures of perceived characteristics are not highly correlated. It is a matter of perception, not reality, which leads to the decisions that managers make regarding organisational design.

The same environment that one organisation perceives as unpredictable and complex may be seen as static and easily understood by another organisation. People on the lower cadre in an organisation may select

part of that something “out there” and call it specific environment, whereas people higher up in that same organisation will see something else to be the firm’s specific environment. These differences in perception may be based on background, education, functional area within which the individual work.

In other words, this implies that organisations construct or invent their environment and the environment created depends on perception.

It is good to note that perceived environment counts, managers respond to what they see. Stephen Robbins concluded that the structural decisions that managers make to better align their organisation with the degree of uncertainty in their specific environment depends on the manager’s perception of what should make up the specific environment and the assessment of uncertainty.

### **SELF-ASSESSMENT EXERCISE 2**

Differentiate between general and actual perceived environment.

### **3.3 Environmental Uncertainty**

Environment plays strategic role in organisational development, but they are not the same. Some organisations may face relatively static environments; in other words, changes may be a little bit slow, in terms of competition, technology, and so on. Other organisations may have a very dynamic environment, which means rapid changes in terms of new competitors, continuous changing product preferences by customers and government regulation, technology and so on.

Static environment is associated with less uncertainty for managers than dynamic environment. Uncertainty constitutes a threat to organisational effectiveness; therefore, management has to minimise this uncertainty. This is often done through manipulation of organisational structure.

### **SELF-ASSESSMENT EXERCISE 3**

Explain the term environmental uncertainty.

### **3.4 Various Researchers and their Contributions to Organisational Environment**

(A.) Ten Burns and G. M Stalker, in their research work, evaluated the environmental conditions of firms, in terms of the rate of changes in their scientific technology and their relevant product market through interviews with managers and observations. They discovered that the type of structure that existed in rapidly changing and dynamic

environment was significantly different from that of organisations with stable environments. They described the two structures as organic and mechanistic.

**a. Mechanistic structures**

These structures were associated with high complexity, formalisation and centralisation. Consequently, they perform routine tasks, behaviours and are heavily programmed; also they were found to be relatively slow in responding to the unfamiliar.

**b. Organic structure**

These are relatively flexible and adaptive with emphasis on internal rather than vertical communication; here, influence is based on expertise and knowledge, rather than authority of position. Also, responsibilities are loosely defined, and emphasis is on exchanging information, rather than ongoing directions. It was observed that the most effective structure is one that adjusts to the requirements of the environment; which means, using a mechanical design in a certain, stable environment, and the organic form in a turbulent environment.

However, the mechanistic and organic forms have been recognised to be the ideal types, defining two ends of a continuum. Organic is purely mechanistic or purely organic but, rather moves towards one or the other. Suffice it to say that one is not preferred over the other; the nature of organisational environment determines which one is superior (Robbin, 1987: 44).

#### **SELF-ASSESSMENT EXERCISE 4**

Differentiate between mechanistic and organic structures of organisation.

**(B.) Energy and Trust**

This effort made vital contributions to the understanding of the environment of an organisation. Here, four kinds of environment have been identified, as shown below.

**a. Placid-randomised environment**

This poses little threat to the organisation because it is relatively unchanging. It is analogous to the economist's state of pure competition; in which there are enough buyers to absorb the market, consequently uncertainty is low. Since change is low and random, they are predictable; and therefore, managerial decision-making is not likely to give much consideration to the environment.

**b. Placid-clustered environment**

This is associated with low changes. However, its threat to the organisation is clustered, rather than random. This indicates that forces in the environment are linked to one another. For example, suppliers and distributors may join forces to form a powerful coalition. Organisations that are in a placid clustered environment are motivated to engage in long range planning and their structure will tend to be centralised.

**c. Disturbed-reactive environment**

This is much more complex because different competitors seek similar ends. In this situation, one or more large organisations or companies may dominate or exert greater influence in the environment, and over other organisations; they may also exert price leadership in such industrial sector. For instance, Coca-Cola Nigeria exerts tremendous influence in the soft drink industry.

However, in a bid to measure up, Seven-up Bottling Company started fifty (*cl*) bottles with a price, almost, equivalent to the price of Coca-Cola's 35 (*cl*). Almost immediately, Coca-Cola started its own fifty (*cl*); and since Coca-Cola dominates the market, people tend to prefer it to Seven-up. So, organisations in this type of environment need to be strategic, in order to proactively deal with competition in the market place.

**d. Turbulent field environment**

This is the most dynamic, and it is associated with high level of uncertainty of inevitable changes, with interrelated elements in this environment. Here, change is dramatic and cannot be predicted, management's efforts to anticipate it through planning will have little positive value. Organisations in turbulent field environment may be required to develop new products, or services, on a continual basis, to survive. There is also need to reevaluate its relationships to customers, suppliers and government agencies. Personal computer manufacturers, in the 1980s, dominated this environment.

According to the research findings of Energy and Trust on technology, the less of routine inherent in the technology, the greater the uncertainty, the less effective the mechanistic qualities, and the more important it is to use flexible structural forms. Uncertainty means stability and potential for major and rapid changes, only flexible structure can respond to such changes, according to Robbins (1987).

**SELF-ASSESSMENT EXERCISE 5**

Discuss the various types of environment identified by Energy and Trust.

Major environment changes, in recent years, as stated by Robbins (1987), are as listed below.

1. **Technology**

- Introduction of micro computer
- Tele communication satellite
- Worldwide telephone direct dialing.

2. **Social**

- Women movement
- Concern for physical fitness
- Resurgence of commercialisation and development of urban centers for commercial and residential purposes.

3. **Economic**

- Deregulation of the airline and haulage industries
- Rapid rise and fall of oil price
- Decline of inflation rate.

4. **Political**

- End of the military era
- Election of conservative candidate
- Shift of government powers from the federal to state levels.

### **3.5 Environment: Structural Relationships**

An organisation depends on environment totally or partially, though some may be more dependent than the other. For instance, organisations which their workers are unionised are more prone to union activities because their effectiveness depends on the relationship with the leadership of the Union.

Studies indicate that dynamic environment has more influence on structure than a static environment, and this usually will lead an organisation toward an organic form, even if its large size and routine technology may look like a mechanistic structure. Static environment, however, will not override the influence of size and technology. However, Stephen Robbins points out that this evidence, when linked up with our observation of the dearth of organic structures gives a picture of what is indicated below.

Moderately high, perceived uncertainty  
 Environment: small number of components in the  
 Environment: The components are somewhat  
 similar to one another, and they are  
 in continual process of change.

Structure: low complexity, low  
 formalisation and centralisation  
 e.g. entrepreneurial firms where the  
 chief executive maintains tight  
 control.

Low perceived uncertainty  
 Environment: small number of components  
 in the environment. These components  
 are somewhat similar to one  
 another, remain basically the same,  
 and are not changing.  
 Structure: high complexity, high  
 formalisation and centralisation  
 e.g. Lawrence and Lorch's container  
 Firms and Woodward mass  
 Production manufacturing firms.

High perceived uncertainty  
 environment: large number of  
 in the environment, these components are  
 not similar to one another  
 and they are – continually in the process of  
 change.

Structure: low complexity, low  
 formalisation and decentralisation  
 e.g. Lawrence & Lorch's plashe  
 firms, NASA Electronics firms.

Moderate, low perceived uncertainty.

Environment: large number of components  
 in the environment, these components are  
 not similar to one another but remain basically  
 the same.

Structure: high complexity, High formalisation  
 and decentralisation.  
 Examples are hospitals, universities.

*Figure 1.1: Defining and Measuring Environment*

1. Dynamic environment are not, in activating, that prevalent;
2. Managers may not recognise dynamic environment when they see them;
3. Organisations have devised ways of reducing their dependencies when facing dynamic environments.

### **3.6 Environment and Complexity: Formalisation and Centralisation**

The relationship between complexity and environmental uncertainty is in the inverse. Hence, the departments within the organisation that are mostly dependent on the environment should be, relatively, lowest in complexity. This also indicates that fewer hierarchy levels are associated with organisations with greater concern for specific environmental goals.

Stable environment of course, necessitates high formalisation, because minimum rapid response, resulting from the environment and economies exist in organisations that standardise their activities. This may not be likely in all organisations; however, managers' interest should be to protect the operations of the organisation from uncertainty. If that is achieved, a dynamic environment is likely to lead to low formulation of boundary activities while maintaining relatively high formalisation within other functions Robbins (1987).

However, the more complex the environment, the more decentralised the structure, whether the environment is static or dynamic. Accordingly, when there is a large number of a dissimilar factor, centralisation becomes the best option for an organisation to meet the uncertainties. There is also the tendency that difficulties may arise as a result of

management's inability to comprehend a highly complex environment. This is because the capacity of management to process information becomes over loaded, and the implication is that decision-making process is decentralised and there is delegation of authority.

#### **4.0 CONCLUSION**

It should be evident to you, by now, that organisations have to interact with their environment; this is inevitable, as there is the need for mutual dependence and interdependence. This becomes the basis for cooperation and management of environmental forces. Since Organisations have little or no direct control over their environment, effectiveness and efficiency in their operations demand that they adapt to the environment to reduce uncertainty.

#### **5.0 SUMMARY**

In this unit, you have learnt that an organisation is an open system, and therefore, it interacts with its environment. This unit also considered the types of environment and reviewed environmental uncertainty and research findings on the organisation and its environment.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Identify the relationship between environment and component of organisational design (complexity, formalisation and centralisation).

#### **7.0 REFERENCES/FURTHER READING**

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## **UNIT 2     MANAGING THE ENVIRONMENT**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Managing the Environment
  - 3.2    Strategies for Managing the Environment
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0     INTRODUCTION**

In the last unit, you learnt about environment and organisational development. To further boost your understanding of this issue, this unit will examine how to manage the environment of an organisation. Every organisation is confronted with uncertainty in the environment, probably, due to the dynamism of the business environment.

However, irrespective of the source of the uncertainty, management must manage it so as to keep the organisation afloat, effective and efficient. Ignoring the uncertainties associated with environment is the greatest undoing of any organisation; identifying them and taking appropriate action is what makes an organisation competitive and effective in achieving its objective.

### **2.0     OBJECTIVES**

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

- analyse strategies for managing the environment
- differentiate between internal and external strategies
- identify factors associated with external environment
- explain management of environment.

### **3.0     MAIN CONTENT**

#### **3.1     Managing the Environment**

As mentioned to you earlier in this unit, organisations interact and depend on their environment. Though, the level of dependency differs, it can be more or less depending on the organisation. Organisational

environment is associated with uncertainties; all organisations are confronted with these challenges.

Since the environment is dynamic, managers have the onerous responsibility of reducing these uncertainties which confront their organisations. For example, an organisation can choose to diversify its products to get more customers, and increase sales. It can embark on joint venture to reduce competition; it can lobby the legislature to enact laws that will be of benefit to its operations. It is quite clear that the larger an organisation is, the more the resources and skills that will be at its disposal, and the more the influence it will exert.

### **SELF-ASSESSMENT EXERCISE 1**

Explain the concept of environmental management.

## **3.2 Strategies for Managing the Environment**

There are, generally, two strategies for minimising environmental uncertainties. These are classified as internal and external strategies.

### **A. Internal strategies**

This does not involve changing the environment to reduce uncertainties, but it involves making internal adjustment to make the organisation fit into the environment. Managing the internal environment involves certain considerations. Issues concerning the environment need to be included in decision-making. The choices of strategy, technology and location determine the organisation's task environment.

To choose mechanisms by which elements of the task environment can be included, the organisation needs to balance its need for autonomy and flexibility with the exchange of commitments to reduce uncertainty and get cooperation and coordination. This is necessary because, if the task environment has too much influence, the organisation becomes subservient.

On the other hand, inadequate influence may lead to instability, unpredictability and lack of support, which may manifest when the organisation is not prepared or unable to react and adapt. From the societal point of view, insufficient environmental influence leads to monopolies and other concentrations of power- of unilaterally allocating society's resources.

**i. Domain choice**

This could be one of the measures organisation can use to confront unfavourable environmental uncertainty. Management can decide to specialise in areas where powerful competition is less. There are factors that discourage competition; these include high entry costs, economies of scale, or regulatory system, numerous suppliers, union, less powerful pressure groups and so on.

Specialisation becomes necessary in an organisation carving out a niche for itself. When the environment is stable, the specialists have advantages; however, when the environment is dynamic, organisations, with elaborate strategy enjoy flexibility which allows management to internally redirect resources to take advantage of opportunities in the environment. Also, note that the more general the objectives, structure and activities of an organisation, the greater the flexibility it will have in responding to environmental change.

**ii. Recruitment**

Recruiting the right people, at the right time and/or at the right place can also reduce the influence of the environment on the organisation. Robbins (1987) points out that corporations take executives from competing firms just to acquire information about their competitor's future plan. Business and legal firms hire such officials, often at a very high cost (in terms of remuneration) to take advantage of their favourable ties with influential decision makers, and also to benefit from their knowledge of government operations.

**iii. Environmental scanning**

This involves assessing the environment to identify competitors, government union and their action and the way it will influence the operation of the organisation in the future. This will help the organisation to forecast anticipated changes and make internal adjustments to respond proactively. For instance, a manufacturing company can anticipate a change in the demand of its products, and put a plan in place, ahead of time, to minimise the impact of these changes.

**iv. Buffering**

This ensures that the operations of the organisation are unhindered. In this case, supplies and absorption of output are ensured. Buffering, on both input and output side, presents the organisation as a closed system. On the input side, buffering occurs when organisations stockpile materials and supplies; it involves the use of multiple suppliers, engaging in preventive maintenance or recruiting and training new employees. This operation is done to prevent the organisation from the unexpected.

**v. Smoothing**

This is done to reduce the impact of fluctuation in the environment. Smoothing problem begins with the fact that all organisations have fixed resources. These resources produce goods and services for which there is a demand from customers and clients. Smoothing problem arises because the nature of the service, which makes up the user's desired consumption pattern, does not coincide with times and quantities which make for efficient utilisation of resources. The demand for these services may vary, either randomly or systematically, on daily, weekly and yearly basis.

For example, the heaviest demand on telephone equipment is between the hours of 8 a.m. and 6 p.m. on Monday to Friday. Telephone firms have sufficient equipment to meet this demand at peak periods. They manage the demand by charging high price at peak period, and charges for calls are lower during off-peak periods and weekends to encourage customers.

**vi. Rationing**

When there is excess demand due to uncertainty in the environment, management may decide to ration their products and services, based on priority.

**vii. Geographical dispersion**

Environmental uncertainty varies from one location to the other; organisations counter the impact of geographical dispersion by moving into a different community. They reduce such impact by operating in multiple locations.

**SELF-ASSESSMENT EXERCISE 2**

Outline five important internal strategies that an organisation can use to reduce uncertainties relating to its environment.

**B. External strategies**

This is the attempt by an organisation to change its environment- to make it more favourable. This can be achieved through the use of advertising to shape the taste of consumers, so as to restrict competition.

**i. Co-opting**

Co-option has been defined as the process of absorbing new elements into the leadership or policy making structure of an organisation as a means of averting threats to its stability or existence. Studies indicate that the composition of the board of a corporation can be explained by considering the organisations requirements for various types of environmental support. For example, appointment into boards of

directors, board of trustees, advisory boards or advisory councils to perform policy making function can be premised on getting support from the environment.

If an organisation's primary need is capital, it is likely that a greater percentage of its directors will be from banks, insurance companies and other financial institutions. Also organisations experiencing labour unrests can appoint union officers on the board. Two or more organisation can share one or more directors in common as management strategy, to counter environmental uncertainty. This is called interlocking directorate coalescing. This is the combination of one or more other organisation for the purpose of joint action.

These mergers, often, bring about economies of scale by eliminating redundant administrative personnel and creating opportunities for merging technical and managerial expertise. It helps to reduce environmental uncertainty by reducing inter-organisational competition and dependency.

## **ii. Lobbying**

Organisations, especially big ones, tend to lobby legislatures- both state and federal, in a bid to protect their interest. Lobbying- which involves using influence to achieve favourable outcomes, is a wide spread practice used by organisations to manage their environment. For example, trade and professional associations, actively, lobby on behalf of their members. Some organisations even lobby state licensing boards to restrict entry and regulate competition and keep their profession more safe.

## **iii. Public relation response**

Organisations attempt to establish and maintain favourable images in the mind of those making up the task environment. They foster a favorable image through mass media and skillful use of publicity. This is done by using professionals who link the organisation with the media. The use of mass media implies that this response is appropriate when environmental support is dispersed. Successful public relations result in better chances to attract personnel, capital, customers, donors, students, volunteers. Also during the times of shortage and scarcity, prestigious organisations may still attract support while the less prestigious ones cannot.

## **iv. Cooperative strategies**

This is concerned with the coordinated action of two or more organisations to resolve joint problems. This can involve competitors acting together; it can involve buyers and sellers, and employer. Galbraith (1977) points out that as an independent strategy there are

several alternatives which are appropriate under various conditions. In each case, however, the local organisation must yield some autonomy when making commitments and co-coordinating its actions.

In employing cooperative strategies, the focal organisation recognises that those elements of the task environment on which it is dependent also have dependence problem on their own. There are times when bank loan is scarce, and there are times when there are enough funds for loan facility and bankers become dependent on borrowers. So, it is interdependence that is the basis for cooperation between elements of the task environment and the focal organisation.

Note that the amount of dependence varies directly- with the strength of the need for the support that an element can give, and inversely- with the abundance of elements. The amount of autonomy that the focal organisation is willing to give up varies directly with the amount of dependence (Galbraith, 1977).

#### **v. Contracting**

This can protect the organisation from changes in quality or price on either the input or output. Management may agree to a long-term fixed contract to purchase materials or to sell a certain part of the organisation's output. For example, airline operators enter into contract with oil companies to buy fuel on a fixed term contract, thus reducing their susceptibility to fluctuations in availability and pricing. Contracting constitutes one of the mechanisms with a higher information capacity, which is merely the resolution of an agreement between the organisation and another group to exchange goods, services, information patents, commitments, and so on- over a period of time.

Negotiation implies direct contact between the parties, thus leading to an explicit form of cooperation. It also implies dialogue, information exchange, and bargaining to reach agreement on coordinated action. The agreement may be legally binding, but may be based on reputation and trust, as well. In other words, contracting is an explicit form of cooperation involving negotiation and two-way communication between inter-dependent parties. The parties negotiate only those issues that are important to task environment, which cannot be managed through independent actions or implicit cooperation.

## **4.0 CONCLUSION**

In this unit, it has been made clear to you that managing the environment of a firm requires analysis of the sources of uncertainty and selecting appropriate strategy that the organisation can implement. Thus, internal and external strategies are usually available. The management

can choose from these or both. However, the most fundamental issue is that management should always adapt and change its actions to fit the environment as appropriate.

## **5.0 SUMMARY**

In this unit, you learnt that an organisation's environment is associated with uncertainties- no organisation is exempted from this challenge. Also, you have learnt the approaches to dealing with or reducing uncertainties.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- i. Explain the concept of cooperative strategy in reducing environmental uncertainties.
- ii. Identify major elements involved in contracting as a means of handling uncertainty.

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## **UNIT 3    STRUCTURE   AND   ELEMENTS   OF   FORMAL STRUCTURE**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Concept of Organisational Structure
  - 3.2    Organisational Structure and Culture
  - 3.3    Organisational Variables and Common Forms of Structure
  - 3.4    Elements of Formal Structure
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

In this unit, you will be exposed to the concept of structure in an organisation. Every organisation exists to achieve a goal; this is accomplished through rational coordination of activities. In other words, these activities or tasks are grouped or divided for easy coordination in attainment of the organisation's objectives. If proper structure is in place, it will enhance the overall good of the organisation.

Structure is considered effective or ineffective to the extent that it facilitates or detracts from the achievement of group and individual objectives. This unit will attempt an analysis of the content of a good structure and element which make up a formal structure.

### **2.0    OBJECTIVES**

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

- define organisational structure
- analyse Mintzberg's structural configuration
- explain the element of formal structure.

### **3.0    MAIN CONTENT**

#### **3.1    Concept of Organisational Structure**

Organisational structure is about how tasks are formally divided, grouped and coordinated. A structure is a design, an arrangement, a composition and a configuration of something. Organisational structure,



according to Obisi Chris (2003), is therefore the prevailing or existing design and arrangement through which an organisation achieves or strives to achieve pre-determined goals and objectives.

Obisi points out that if there is proper structuring in an organisation, it will lead to the overall good of that particular organisation. For instance, structuring in public and private organisations is more centralised, rigid, uniform, and more integrated; while the mixed sector organisation is loosely structured, flexible in approach and informally centralised. The importance of putting appropriate structure in place cannot be overemphasised; whether the organisation is a business entity, government, church, educational institution, hospital and so on, a faulty structure will impede performance and destroy effectiveness.

However, wrong structure poses a lot of danger to an organisation; Drucker (1977), notes that the best structure will not guarantee result and performance, but a wrong structure is a guarantee for non-performance. It only generates friction and frustration. Suffice it to say that the right organisational structure is the prerequisite of performance. The objectives of the organisation, its purpose, and mission determine the kind of structure to adopt.

Lawrence and Lorsh (1967) pointed out that most organisations are in a state of tension as a result of the need to be both differential and integrated. Once an organisation has grown beyond the point where owners can exercise direct control, some degree of differentiation and specialisation are inevitable. This, at once, requires some steps to be taken to ensure sufficient coordination of the new structure.

Cole (1995) sees organisational structure as a concept that is used to describe organisational relationship. He defines it as an intangible web of relationship between people, their shared purposes, and the tasks set, to achieve those purposes. Mintzberg (1979) defines organisational structure as the sum total of the ways in which it divides its labour into distinct tasks and how to achieve coordination between them.

### **3.2 Organisational Structure and Culture**

While observing organisations in terms of their culture, Hand (1993) identifies four structures that support the culture which he was describing. These four structures are described below.

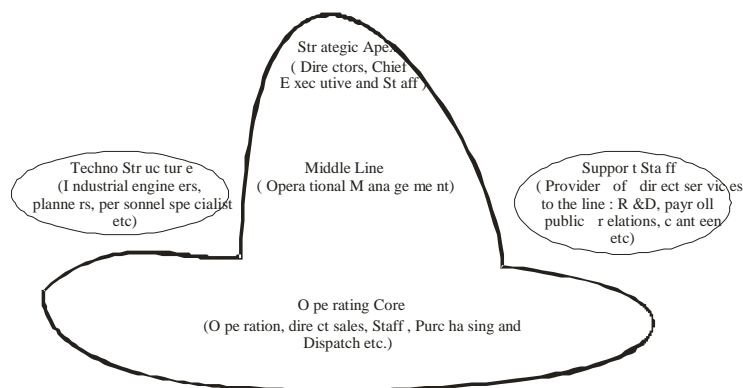
- i. The web structure- where power is centralised in the hand of a few key individuals and which is suited to small organisations.
- ii. The Greek temple – which is based on functional specialisations and defined roles and is generally seen as a bureaucracy.

- iii. The net – which is essentially a matrix organisation in which project teams are co-ordinated by line and functional units, and where the emphasis is on task.
- iv. The cluster or galaxy – this is constructed around relatively independent and self-supporting individuals, such as in a professional practice of some kind (doctors, architects, accountants etc.). However, in practice, it is worthy of note that an organisation will comprise more than one of these cultural models, although one may be predominant.

Mintzberg (1983) was more pragmatic in his development of a five-segment concept of an organisation, as reflected below.

A strategic apex-which comprises the chief executive and directors; then, proceeding down the operational line- a 'middle-line' of operational management; and followed by suppliers. On either side of the operational line, (traditionally called 'the line', in classical thinking) are:

- i. the techno structure comprising functional specialists and advisors and
- ii. the 'support staff' members' who provide corporate services, and who in classical terms, will be seen as "staff" or employees)



The basic parts of Organisation - Mintzberg's model

**Fig. 3.1: The Basic Parts of an Organisation**

Mintzberg uses the flexibility of his model to further develop five different configurations of structure. These configurations reduced the separate influences of organisational features into manageable concepts that can be used in the study of organisations. Mintzberg proposes five configurations-as listed below.

- a. Simple structure
- b. Machine bureaucracy: dominated by specialists
- c. Professional bureaucracy: dominated by skills of core staff

- d. Divisionalised form: dominated by products and outputs
- e. Adhocracy: shared dominance of core staff and support services

### **3.3 Organisational Variables and Common Forms of Structure**

There are key organisational issues, or variables, that feature often times in discussion about what determines organisational structures. Cole (1996), points out some of these, as shown below.

- 1. Purposed goals – this is the fundamental aims and goals of the group.
- 2. People – those who make up the organisation.
- 3. Tasks – these include those activities that are required to achieve organisational aims and goals.
- 4. Technology- these include the technical aspects of the internal environment.
- 5. External environment- these include the external market, technological and social conditions affecting the activities of the organisation.

These are also alternative ways of deploying the intangible web of relationship that make up the structure of an organisation. Cole identifies five of the most common forms of structure; these are as follows.

- i. Functional organisation - this form of organisational structure is based on groupings of all major business functions- for instance, production, marketing, finance, personnel.
- ii. Product-based organisation - this is based on individual products, or products ranges, where each grouping carries functional specialisation.
- iii. Geographical organisation - this centers around appropriate geographical features e.g. regions, nation, sub-continent.
- iv. Divisional structure – it is usually based on products or geographical location (or both), and finance, with certain key function such as planning.
- v. Matrix structure – this is based on a combination of functional organisation and project-based structures, thereby combining vertical and lateral lines of communication and authority.

### **SELF-ASSESSMENT EXERCISES 1**

- i. Identify four forms of structure that support culture.
- ii. What is structure? Is it really necessary in an organisation?

### **3.4 Elements of Formal Structure**

Organisational structure deals with how tasks are formally divided, grouped and coordinated. There are, basically, six elements that should be taken into consideration when designing a structure. These are identified below.

#### **1. Specialisation**

This principle demonstrates that work can be performed more efficiently, if employees are allowed to specialise. This can also be called division of labour; and this describes the degree to which activities in the organisation are subdivided into separate tasks. The essence of specialisation is that, instead of an individual doing an entire job alone, it is broken down into a number of steps and subtasks, to be handled by separate individuals. The good thing here is that an individual specialises in doing a part of the task, rather than the entire activities.

One of the advantages of work specialisation is that it boosts efficiency. The skill of the employee at performing a task successfully increases by doing the task over and over again. Time that could have been used in changing task and in putting away work tool and equipment and getting ready for another job is saved. Also, training enhances efficiency; as it is easier and less costly to find and train workers. This is, especially, true of highly sophisticated and complex operations. Specialisation increases efficiency and productivity by encouraging creativity.

However, it is evident that if specialisation is carried too far, it could degenerate to human diseconomies which may reflect as boredom, fatigue, stress, low productivity, poor quality of work, and increased absenteeism. In such cases, productivity can be improved upon by enlarging, rather than narrowing the scope of tasks.

#### **2. Departmentalisation**

This is the grouping of jobs together, so that common tasks can be coordinated. One of the most popular ways to group activities is by functions/schedule of duty. An industry may organise its operations by separating engineering, accounting, manufacturing, and human resources. Departmentalisation by function can be used in all types of organisation. Only functions can reflect the objectives and activities of the organisation.

Departmentalisation can take various forms. Tasks can be departmentalised by the type of product the organisation produces, this offers the advantage of increased accountability for product performance, since all activities are related to specific products, and are

under the direction of a single manager. If the activities of an organisation are service related, rather than product based, each service can be autonomously grouped. Departmentalisation can also be based on geographical location or territory; for instance a function (like marketing) in an organisation can be located in a different state.

### **3. Chain of command**

This is the unbroken line of authority that extends from the top hierarchy of the organisation to the lower cadre, specifying who reports to whom. It specifies reporting lines in an organisation. Two important concepts that will help you to understand chain of command are authority and unity of command. Authority refers to the right, inherent in a managerial position, to give orders, expecting the orders to be obeyed. This helps to facilitate coordination; each manager is given a degree of authority that will help him/her to discharge his or her responsibilities.

### **4. Unity of command**

This preserves the unbroken line of authority; it specifies that a staff should have only one superior, to whom he is directly responsible. If the unity of command is broken, an employee may have to grapple with conflicting demand of priorities from several superiors.

### **5. Span of control**

The span of control is the number of subordinates under the control of a superior. If the span is too large, it can create some bottlenecks. Span of control is wide, if a person has many people under his or her control; while it is narrow, if the person has less people under his control. Span of control is important because, to a large extent, it determines the number of levels and managers an organisation has. All things being equal, the larger the span, the more efficient the organisation will be.

However, Harris Jeff (1976) indicates that span of control or supervision is important, because it determines the amount of attention each supervisor can give to each subordinate. It also enhances ease of communication, decision-making process and other superior-subordinate relationships.

### **6. Centralisation/decentralisation**

Centralisation indicates that decision-making lies with the top hierarchy in an organisation. An organisation where decisions are made by only the officers at the top is said to be centralised. Those in which authority is distributed are said to exhibit varying degrees of decentralisation. Thus, centralisation–decentralisation refers to the vertical distribution of power associated with vertical division of labour. Classical theorists are of the opinion that, that decentralisation is not good or bad, rather, the degree of centralisation depends on the prevailing situation. The

question of centralisation–decentralisation is a simple question of proportion; it is a matter of finding the optimum degree for the particular concern.

### **7. Formalisation**

This indicates the degree to which an organisation is standardised. If a job is highly formalised, then the job handler has minimal amount of discretion over what is to be done and how she or he should do it. Where formalisation is low, attitudes on the job are relatively non-programmed and employees have a great deal of freedom to exercise discretion in their work.

Also, freedom to exercise discretion on the job is inversely related to the amount of behavior on that job that is programmed by the organisation. The greater the standardisation of work procedures, the lesser the input of employees concerning how tasks are to be done. Standardisation, not only eliminates (on the part of employees) the possibility of engaging in alternative behaviour, it removes the need for employees to consider an alternative.

### **SELF-ASSESSMENT EXERCISE 2**

Identify and discuss elements of formal structure

## **4.0 CONCLUSION**

In this unit, it has been made clear to you that the importance of putting appropriate structure in place cannot be over emphasised- irrespective of the organisation. Faulty structure will impede performance and destroy effectiveness in the organisation. Also, it has been noted that formal structure contributes stability and continuity to accommodate those activities which are recurring and routine and those tasks which are anticipated or planned.

## **5.0 SUMMARY**

In this unit, you have studied the concept of structure, its implication and definition in the organisation. Structure is seen as a design, an arrangement, a composition and a configuration through which an organisation strives to realise its objectives. This unit has also examined organisational structure (and the way it affects culture), structures that support culture, and organisational variables and common forms of structure.

## 6.0 TUTOR-MARKED ASSIGNMENT

Wrong structure can be a serious challenge to an organisation. Discuss.

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## **UNIT 4     STRUCTURAL DIMENSION OF ORGANISATION: COMPLEXITY**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Structural Dimension of Organisation
    - 3.1.1    Span of Management
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

In this unit, you will be taken through the structural dimensions of organisation. There are basically three components that make up organisational structure. These are complexity, formalisation and centralisation. This particular unit will examine complexity which determines the degree of differentiation found in an organisation. There are three types of differentiation found in an organisation; let us take them one after the other and examine their impact.

### **2.0    OBJECTIVES**

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

- explain structural dimension of an organisation
- describe complexity as a component of structural dimension
- identify three types of complexities.

### **3.0    MAIN CONTENT**

#### **3.1    Structural Dimension of Organisation**

There are three components that make up organisational structure. These three core dimensions have been accepted, though some scholars still have different opinions about them. They are complexity, formalisation and centralisation. In the course of this study, you will get to know more about these three components of organisational structure.

Complexity describes the extent or degree of differentiation which is found within an organisation. There are three types of differentiation-



these are spatial differentiation, horizontal differentiation, and vertical differentiation.

**a. Spatial differentiation**

This refers to how the personnel and other facilities in an organisation are dispersed and located geographically. Differentiation has to do with how offices, plant and personnel are dispersed geographically. Spatial differentiation is an extended dimension of both horizontal and vertical differentiation. Horizontal and vertical differentiations enhance the operation of an organisation and hierarchical arrangement in multiple locations.

However, spatial differential considers how task and power can be separated geographically and this contributes to the complexity of an organisation. For instance, a company like Eleganza Nigeria Limited can differentiate, horizontally, by separating marketing functions from production. In this aspect, it means that it may have marketing outlets in several geographical locations of the country, probably many states, while production takes place in Lagos. The implication of this is that the complexity in this organisation will increase, compared to when all marketing outlets and production base are in one location, like Lagos.

Management tasks, like communication, coordination and control become easier when spatial differentiation is low; that is, when all the marketing and production take place in one location. Inversely, management can become more difficult if spatial differentiation is on a large scale. Spatial differentiation also considers distance and number; for example, if the distance between the locations of two geographical offices is not much, it is less complex, but when the distance is much though in the same state, it is more complex.

**SELF-ASSESSMENT EXERCISE 1**

- i. Define complexity
- ii. Differentiate 3 types of complexities.

**b. Horizontal differentiation**

This is the differentiation of the units in an organisation due to diverse background and orientation of the members. The diversity may result from their education, training and the nature of the tasks which they perform. The larger the number of different occupational groups which require specialised knowledge and skill, the more difficult the coordination of the organisation will be.

However, if that organisation has staff members that have similar orientation/training, they are more likely to reason in similar ways, making their interaction and communication less difficult. There are

other factors that reinforce differentiations; an example is job specialisation- an accountant is different from an electrical engineer. Their trainings, orientation and background differ, they do not have the same task and language registers; and also, they do not share the same department, which increases the gap in their orientation.

Specialisation is the grouping of activities performed by an individual in an organisation; it could be done in two different ways. These are functional specialisation and socialisation-specialisation.

a. Functional specialisation – in this case, jobs are broken down in simple and repetitive task. For instance, division of labour- a type of functional specialisation- induces higher suitability among employees, and facilitates their easy replacement.

b. Socialisation specialisation – this is done with the use of professionals whose job cannot follow routine process because of their skills- i.e. nuclear physicists do a specialised job, though their activities may vary, depending on the situation.

Increase in either form of specialisation will consequently result in increase in complexity within the organisation. This is because an increase in specialisation places a demand for more expensive and sophisticated system for coordination and control. For example, division of labour creates departmentalisation which is a grouping of specialists. This could be done on the basis of numbers, functions, product or service, chart, geography and process. This will enhance efficiency, which will reflect in the reduction of time spent on changing tasks.

## **SELF-ASSESSMENT EXERCISE 2**

Discuss the factors that enhance horizontal differentiation.

### **c. Vertical differentiation**

This deals with depth in structure; the level of structural hierarchy in an organisation increases differentiation. The larger the hierarchical structure of an organisation, the greater the risk of the distortion of communication. Also the decision-making process will be more complex; and the more difficult it will be for top management to oversee the actions of the operatives. Vertical differentiation is not independent of horizontal differentiation, but it tends to provide answer to increased horizontal differentiation.

Increase in expansion requires greater coordination of activities; high horizontal differentiation means that members will have diverse training and background. An organisation may have various departments that do different things. For instance, construction companies may have

architects, heavy-duty equipment operators, masons, truck drivers, electrical engineers and so on. Somebody is bound to supervise these individuals to ensure that the work is done according to plan and time, resulting in the need for coordination which is indicative of vertical differentiation.

### **SELF-ASSESSMENT EXERCISE 3**

Explain the term vertical differentiation.

#### **3.1.1 Span of Management**

The number of subordinates a manager can effectively supervise can be wide or narrow. When it is wide, it means the manager will have quite a number of subordinates to control; but if the span is narrow, it means they are few.

### **SELF-ASSESSMENT EXERCISE 4**

Explain the term span of management

## **4.0 CONCLUSION**

In this unit, it was pointed out to you that complexity is the extent to which differentiation is located in an organisation. This has serious impact on organisational effectiveness. The larger the number of different occupational groups which require specialised knowledge and skill, the more difficult the coordination, because of their diverse background and orientation.

Also the depth in the structure of the hierarchy of an organisation can make or mar effectiveness in the organisation. The more the levels, the greater the complexity. Finally, the dispersion of geographical location and other facilities constitute a key factor; when an organisation has many locations, it will be a little bit difficult to coordinate, in terms of personnel, plant, and offices.

## **5.0 SUMMARY**

In this unit, you have learnt that complexity has to do with the extent of differentiation in an organisation. It has also been made clear to you that spatial differentiation refers to how the personnel, manpower and other facilities in an organisation are dispersed geographically. Various aspects of differentiation were also considered. You are to note that all of these contribute to effectiveness in an organisation.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss various forms of job specialisation.

## **7.0 REFERENCES/FURTHER READING**

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## **UNIT 5     STRUCTURAL DIMENSION OF ORGANISATION: FORMALISATION AND CENTRALISATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Formalisation as a Concept
    - 3.1.1 Formalisation Techniques
  - 3.2 Centralisation
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### **1.0 INTRODUCTION**

In the previous unit, you learnt about structural dimension of an organisation; the unit, particularly, considered complexity, which was noted as the differentiation found in an organisation. In this unit, you will be exposed to the concept of formalisation which is the extent to which rules- procedure; instruction and communication- are written and followed. In other words, organisation is standardised, and this imposes constraint on employees.

Also, in this unit we will look at centralisation which is the degree to which decision-making is concentrated at a single point in an organisation.

### **2.0 OBJECTIVES**

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

- explain the concept of formalisation in organisation
- identify formalisation technique
- describe centralisation
- evaluate the importance of centralisation
- state the relationship between complexity, formalisation and centralisation.

### **3.0 MAIN CONTENT**

#### **3.1 Formalisation as a Concept**

This refers to the degree of standardisation in an organisation. In organisations, where jobs are highly formalised, the employee has a minimum constraint on discretion over what is to be done or how he or she should do what has to be done. Since, output is consistent and uniform; employees will be expected to always handle the same input in exactly the same way. High formalisation in an organisation is consistent with rules, in terms of clearly defined procedure covering the process of work and clear job description.

Formalisation is a measure of standardisation. When standardisation is high, the input and the discretion of employees on how tasks are to be executed will be less, as well. Consequently, standardisation discourages employees from engaging in alternative behaviour, not even to think and consider the need for alternative. In some situations, the use of initiatives- on the part of workers is completely eroded.

Stephen Robbins sees formalisation as the extent to which rules, procedures, instructions and communication are written. From this definition, formalisation can be measured by determining if the organisation has policies and procedures for assessing the specificity of its regulation. It can also be measured by reviewing job description to determine the extent of elaborateness, looking at other similar documents of the organisation.

##### **3.1.1 Formalisation Techniques**

There are various ways of achieving the standardisation of the behaviour of employees. The most important ones are considered below.

##### **1. Selection**

Organisations have a careful process of selecting prospective employees. This process is designed to ensure that efficient individuals who will make positive contributions to the organisation are selected. The process of selection includes getting applicants to fill application forms, conducting tests/interviews and background investigation. Each of these processes can help to eliminate individuals who are not compatible with the aspirations of the organisation.

Excellent selection process ensures that candidates fits into the organisation and will be willing to perform their duties satisfactorily. Most importantly, whether the recruitment process covers unskilled or professional employees or not, organisations use the selection process to

screen out the candidates that are not fit for the organisation. Employees pick up an organisation's implied policies merely by observing the actions of members around them.

## **2. Training**

Organisation provides training to employees. On-the-job training takes the form of allowing the employee to go through assignments, coaching and apprenticeship. Supervision is by a supervisor, who is expected to teach employees by imparting skills, knowledge and attitudes. Off-the-job training includes lectures, films demonstrations, simulation, exercises and programme instruction. Its essence is to shape the behaviours and attitudes of employees. This will also go a long way to make them compatible with their job schedule.

New employees are often required to undergo a brief orientation programme, during which they are exposed to the organisation's objectives, history, philosophy, policies, procedures and welfare packages. Sometimes, this is followed by a specific training; for example, if a new computer package is acquired in the organisation, it is necessary to train employees on how to use the package, effectively.

## **3. Role requirement**

Every individual in an organisation has a role to play. Every job has its own expectations, in terms of core and functional competences. Job analysis indicates the jobs to be done and the required behaviour and attitude of the employee. Analysis develops and provides information from which job description is created.

When formalisation is high, the degree of role is explicit and well defined. Organisations having comprehensive job descriptions specify how a particular role is expected to be played. By loosening and tightening role expectations, organisations are actually loosening or tightening the degree of formalisation.

## **4. Rules, procedures, policies**

Rule – this is an explicit statement that tells an employee what he or she ought not to do. Procedures are a series of interrelated sequential steps that employees follow to accomplish their job. Policies are guidelines put in place to shape the decisions and behaviours of employees. One obvious characteristic of rules is that they tell employees, explicitly, what they can do and how they are to do it. Rules leave no room for employees' discretion. They state a particular and specific required behavioural pattern.

Procedures- these are established to ensure standardisation of work processes. The same input is processed in the same way, and the output

is the same, each day. Organisations develop ways in which individuals handle their task. For example, vouchers are often required to be completed as follows: use pre-printed voucher tags, put date at the top left corner, and write on appropriate account to be charged; check to ensure total account equals invoiced amount, put initials at the bottom right corner. These steps, according to Robbins (1987) follow a specific standardised sequence that results in a uniform output.

**Policies-** these provide greater leeway than rules. Policies allow employees, to use discretion but within limited boundaries, instead of the dos and don'ts in the organisation. Though policies may not specify, exactly, what is to be done, but it provides parameters for decisions to be made. It is to be noted that policies need not be written to control discretion.

### **SELF-ASSESSMENT EXERCISE 1**

Identify and explain formalisation techniques.

## **3.2 Centralisation**

This refers to the degree to which decision-making is concentrated at a single point in the organisation. A high concentration implies high centralisation whereas low concentration, indicates low centralisation, which is called decentralisation. Centralisation can be described, more specifically, as the degree to which formal authority to take decisions is concentrated in an individual, unit or level (usually, in an organisation); thus permitting employees (usually, of lower cadre) minimum input in their work.

The followings are at the core of centralisation.

1. Centralisation is concerned only with formal structure not informal organisation; it applies only to formal authority.
2. Centralisation looks at discretion in decision-making. Where there is delegation of authority, and there is an extensive policy in existence to constrain the use of discretion by lower-level members, there is increased centralisation.
3. Concentration at a single point can relate to an individual, unit, or level, but single point implies centralisation at a high level.

### **SELF-ASSESSMENT EXERCISE 2**

Explain the term centralisation.



### 3.3 Importance of Centralisation

An organisation is made up of people, who constitute themselves into a decision-making and information processing system. Organisations facilitate the attainment of goals, and this is done through coordination of group effort. Decision-making and information processing are central for coordination to take place. Managers are limited in their ability to give attention to the data they receive and process. Further information after this limit, may lead to information overload, and at this level, the manager's capacity is exceeded. To avoid this, decision-making could be dispersed, resulting in decentralisation.

Decentralisation also is necessary because it helps the organisation to respond rapidly to changing conditions at the point at which the change is taking place. Decentralisation facilitates speedy action, because it avoids the need to process the information through vertical hierarchy. It can be acted upon by those close to the issue. This explains why marketing activities tend to be decentralised. Marketing personnel must be able to react quickly to the needs of the customers because of competitors.

It also provides detailed input into the decision-making process. Decentralisation of decision-making can be a sort of motivation to employees by allowing them to participate in the decision-making process. Professional and skilled employees are particularly sensitive to having a say in decisions that affect how they do their job. Decentralisation creates training opportunities for low-level managers. By delegating authority, top management permit less experienced managers to learn by doing, by making decision where impact is less critical, low-level managers get decision-making experience with potential for minimum damage.

### SELF-ASSESSMENT EXERCISE 3

What are the advantages and disadvantages of decentralisation?

### 4.0 CONCLUSION

In this unit, it has been made clear to you that high formalisation in an organisation is consistent with rules, clearly defined work procedures and job description. Formalisation also constitutes a measure of standardisation; this places limitation on the discretion of the employees.

## **5.0 SUMMARY**

In this unit, you have been exposed to formalisation- which has to do with the degree of standardisation in an organisation. Formalisation has various techniques which include selection, training, role playing among others. Also, the unit has taken you through the nitty-gritty of centralisation and decentralisation in an organisation.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss techniques of formalisation

## **7.0 REFERENCES/FURTHER READING**

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## **MODULE 3      MANAGING ORGANISATION ENVIRONMENT**

Unit 1	Managing Organisational Change and Development
Unit 2	Technology and Structure
Unit 3	Components of Organisational Design Management
Unit 4	Mutual Impact of Strategy

### **UNIT 1      MANAGING ORGANISATIONAL CHANGE AND DEVELOPMENT**

#### **CONTENTS**

1.0	Introduction
2.0	Objective
3.0	Main Content
3.1	Managing Organisational Change
3.2	Models for Managing Organisational Change
3.3	Determinants of Change
3.4	Organisational Initiator
3.5	Intervention Strategies
3.6	Change Models in Organisations
3.7	Guidelines for Change Management
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Reading

#### **1.0      INTRODUCTION**

In this unit, you will learn how we can manage changes in an organisation, to bring about effectiveness. It is obvious that change is inevitable. Changes impact organisations, especially, in the environment in which they operate.

Organisations are bound to respond to the challenges of change, if they have to remain relevant. So, this unit will consider the factors that initiate changes, and how to respond to them, so that our organisations can be efficient.

#### **2.0      OBJECTIVES**

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

- describe organisational change

- identify types of change
- outline factors that trigger change
- evaluate strategies to implement change
- analyse various models for managing change.

### **3.0 MAIN CONTENT**

#### **3.1 Managing Organisational Change**

Change is a dynamic process which involves altering something in some way. Organisations change to what they want to achieve and how they intend to do it. The change could be in response to external circumstances which is reactive change, and some could be deliberate on the part of the organisation, which is proactive change. Some organisations can be conservative in nature thereby allowing little or no change.

Other organisations are flexible operationally, making adaptation easier and regular; while others that are dynamic in outlook seek new opportunities and challenges, constantly. One obvious thing is that change can just happen, and also it can be deliberate and planned-targeting people or structure. In this unit, we are going to consider two types of change discussed below.

##### **1. Planned change**

Robbins (1987) defines planned change as that which is planned, proactively and purposefully. This is a deliberate effort in response to the environment. An organisation is an open system which is dependent on the environment; and since the modern business environment is dynamic, any organisation or firm that wants to succeed must create an internal mechanism to facilitate planned change. This will help to keep the organisation viable.

Any organisation that does not respond to changes in the environment, in terms of its operations, or products and services will be overtaken and dominated by its competitors. An organisation will either respond to change or run the risk of a decline in its effectiveness. Consequently, failure to respond to change may lead to insolvency or bankruptcy.

##### **2. Structural change**

This type of change depends on target; it can be at an individual level or group level. At the individual level, a manager may target change in employees' behaviour. The strategy could be through training, socialisation and counseling. At group level, organisations can adopt interventions such as sensitivity training, survey, feedback and consultation.

## **SELF-ASSESSMENT EXERCISE 1**

Identify and explain two types of change.

### **3.2 Model for Managing Organisational Change**

The model of managing organisational change can be broken into a set of steps- as pointed out by Stephen Robbins. Change is triggered by certain forces. These forces are acted upon by change agents. The change agents choose intervention action; in other words, the agents determine what is to be changed. This is preceded by the implementation of intervention programme which can address the fundamental issues of what is to be done and how it is going to be done.

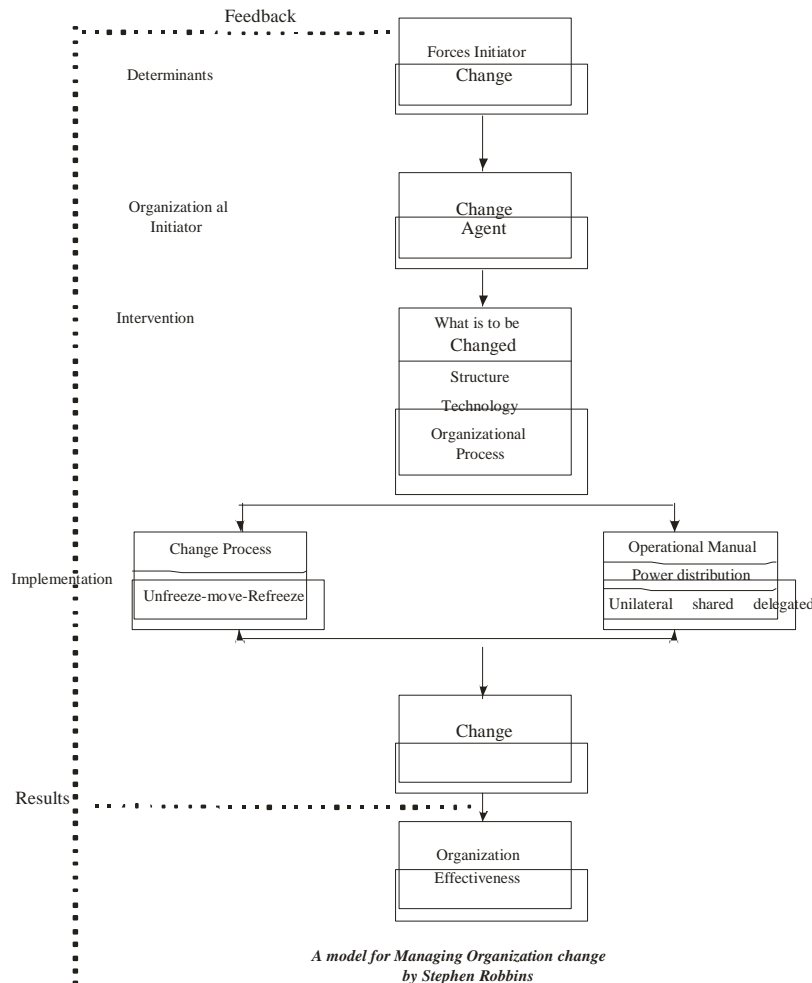
The ‘what’ requires three stages:

- unfreezing status quo
- movement to new state
- refreshing the new state, to make it permanent.

The “how” deals with the way in which the agent chooses to operationalise the change process; and the change- if successful, will enhance organisational effectiveness (Stephen Robbins, 1987).

### **3.3 Determinants of Change**

As we said earlier, some factors initiate change in an organisation. Management may identify opportunities or problems which may serve as catalysts for change. There are several other factors that can trigger structural changes. Let us consider the following factors.



**Fig. 1.1: A Model for Managing Organisational Change**

### 1. Change of objectives

When the goal of an organisation changes, the structure tends to change too. The change of goal will determine the structure that will be adapted, whether mechanistic or otherwise, and this, inversely, determines the type of technology to adopt. If the technology is standardised, there will be the need to monitor the environment.

### 2. Government regulation

This is an important force; government monitors economic activities through regulations to ensure fair play and adherence to standard practice in economic activities within the nation. For instance, in Nigeria, current economic concepts are privatisation, monetisation, commercialisation consolidation and so on. Organisations need to adapt to this new business environment.

**3. Merger and acquisition**

This does not take place with re-organisation like the ongoing mergers in the financial sectors of the economy. The forms have resulted in duplication of offices and activities, new positions have to be created, due to expansion in the size of the organisation.

**4. Rapid change in price or availability of raw materials**

Structural change is always introduced when there is instability in the flow of input; this is done to cushion the effect of instability.

**5. Decline in profit**

When profit drops, management may respond by reshaping the structure; there may be replacement or change to eliminate weaker areas where performance is not up to standard. This can lead to total overhauling of the entire organisational structure, because profit is the underlying factor behind any business venture.

**6. Increase in turnover**

When the labour turnover of an organisation is high, it can carry out and initiate structural changes. Reward system can be reviewed and various incentives introduced to keep high quality work force.

**7. Activities of competitors**

When a company finds itself in stiff competition in an area, it may diversify to other areas. It may relocate too.

**8. Purchase of new equipment**

New technology, which is capital intensive, is taking over from the traditional manual labour. As a result, specialisation is gradually being replaced with standardisation. Change of technology induces change in operations, i.e. technology tends to reduce the number of workers needed for certain operations.

Other factors include unionisation, decline in the morale of employee, scarcity of labour, sudden internal and external hostility. However, Cole A. (1996) has classified these into external and internal determinants. Let us briefly look at them.

External factors that can trigger change include the following.

- Change in demand for product or services of the organisation (which can be as a result of changing consumer preferences, competition, government policies and so on).

- Threatening tactics of competitors (e.g. by aggressively cutting prices or producing an advantageous enhancement to a product or services)
- Arrival of a new comer with a competing product or services.
- Taking over of the business by more powerful enterprise
- Merger of the business with another.
- Failure of the key supplier to meet the organisation's requirements.
- Change in terms of trade (i.e. currency exchange rate tariffs)
- Inability to attract sufficient number of skilled employees.
- Development of new technology now available for application.
- Political changes (e.g. new labour law, changes rates, taxation etc)
- These external factors are less predictable than others, and therefore less open to planned proactive change.
- Internal factors move predictable indicator of change and they are as follows.
- Planned changes in strategy as a result of revised mission or goals (themselves largely influenced by external considerations)
- Efforts to introduce cultural changes (e.g. in management styles, collaborative working etc)
- Need to improve productive efficiency/make better use of resources.
- Need to improve quality of product and services
- Need to deploy people (the human resources) where they are most effective.

### 3.4 Organisational Initiator

These are people in an organisation who are responsible in piloting change process. Change agents differ in organisations. It can include senior executive managers that make up the unit's internal staff development, also specialists and consultants brought in from outside. The change agents, usually, play indirect role between the forces initiating change and the intervention strategy adopted by the organisation. This does not preclude the fact that they don't have their self interest like any other manager. This influence can be rooted from the background where they are coming from.

However, it is worthy of note that as long as effectiveness is appraised in term of who is doing the evaluating, the background and interest of the change agents are critical to the determination of what is perceived as a condition in need of change. Outside consultants can be engaged as change agents. The essence of this is to allow objectivity in the analysis of organisational problems and infuse expert knowledge in solving these



problems. Also from the power control view, they could be mere tool just to confirm management's position.

That change agents are hired from outside the organisation does not preclude them from management manipulation. It is observed that more often, they are needed as face image saving device of the management to portray the appearance of impartiality. The external agents, having their self interest in order to retain their contract, have no choice than to provide legitimacy to the self-serving decisions of the management.

### SELF-ASSESSMENT EXERCISE 3

- i. Identify and explain determinants of change.
- ii. Explain the role of the organisational initiator

### 3.5 Intervention Strategies

These indicate the choice of strategy which is adopted to effect change process. These can fall into a number of categories, namely- structure, technology and organisational process which reflect the structural outlook, whereas the people strategy is targeted at a change in behaviour.

1. **Structure** – this is associated with changes affecting distribution of authority, allocation of rewards, alteration in the chain of command, degree of formalisation, addition and deletion of position, departments, and divisions are all included.
2. **Organisational process**– this involves decision-making and communication pattern. Robbins infer that if a change agent, for instance, introduces task forces into machine bureau with the intent of improving the transformation between functional units and allowing representative from each unit to participate in decision that will affect any of them, the change agent will have altered the organisation's decision-making process.  
Technology – this factor goes beyond the modification in the equipment which employees, socio-technical change and interdependencies of work activities among the workers.
3. **Implementation**- once forces stimulating change surface, some are likely to take position as change agents who determine what ought to be changed and how it can be changed.
4. **The change process**- successful change needs unfreezing the status quo, moving to a new state and refreezing the change to make it permanent. Fundamentally, we should recognise the fact that introduction does not ensure that change will produce valid result through the steps associated with change process. For example, the structural re-organisation of a firm in form of

merger, acquisition or consolidation, can give rise to certain negative implications on the employees who may only decide to call it quits. This organisational change shows typical example of unfreezing moving–refreshing process.

The status quo, in this case, can be referred to as equilibrium state, to move from this equilibrium to overcome pressure by both individual resistance and group conformity– unfreezing is necessary, this can be achieved in one of the three ways, as stated by Stephen Robbins.

- The driving forces which direct behaviour away from status quo can be increased.
- The restraining, which hinders movement from the existing equilibrium, can be decreased and other alternative to combine the two approaches can be deployed.
- In reorganisation, especially where there is strong unionisation, there could be resistance from workers; to confront this resistance, management may resort to increasing pay and incentives to the individuals etc. to allay their fears etc. This is targeted at reducing resistance and of course increasing the alternative to look attractive if the unfreezing becomes accomplished. The change itself can be implemented and this is where one or two strategies are introduced by the change agent.

Dealing with resistance to change involves the following strategies:

1. Education and communication
2. Participation
3. Facilitation and support
4. Negotiation
5. Manipulation and cooptation
6. Coercion.

Finally, if the change implementation will be valid, the new situation should be refrozen so as to make it sustainable. Without it, the change will be short lived and the implication is that employees will revert to final equilibrium state. Balancing the equilibrium between the driving and restraining forces becomes the major goal of refreezing. Lewin (1951) proposes a system of managing change and the basic mechanisms are as follows as indicated by Amrstrong.

- Unfreezing – altering the present state equilibrium which supports existing behaviours and attitudes. This process must take account of the inherent threats that change presents to people and the need to motivate those affected to attain the natural state of equilibrium by accepting change.

- Changing and developing new response based on new information.
- Refreezing-stabilising the change by introducing the new responses into the personalities of those concerned.

### **3.6 Change Models in Organisations**

#### **1. Force analysis**

Lewin also proposed a methodology for analysing change which he called 'field' force analysis and this involves:

- analysing the restraining or driving forces that will affect the transaction to the future state; these will include the reactions of those who see changes as unnecessary or a constituting threat.
- assessing which of the driving or restraining forces are critical.
- taking steps both to increase the critical driving forces and to decrease the critical restraining forces.

#### **2. Change programme-Beckard (1969)**

He suggests that change programme should incorporate the following processes:

- a. defining the transaction state activities and commitment required to meet the future state;
- b. setting goals and defining the future state or organisational conditions desired after change.
- c. developing strategies and action plans for managing this transition in the light of an analysis of the factors likely to affect the introduction of change.

#### **3. Approaches to managing change-Thurkey (1979)**

Thurkey pointed out the following approaches that should be considered one after the other.

- Directive – this involves the imposition of change in crisis situations or when other methods have failed. This is carried out by exercising managerial power without consultation.
- Bargained – this approach recognises that power is shared between the employer and the employed and that change requires negotiation, compromise and agreement before being implemented.
- Hearts and minds – an all embracing thrust to change the attitudes, values, and beliefs of the whole workforce. This innovative approach (i.e. one that starts from a definition of what management thinks is right or normal) seeks commitment and

shared vision but does not necessarily have to be involvement or participation.

- Analytical – a theoretical approach to the change process using models of change such as those described above. It proceeds sequentially from the analysis and diagnosis of the situation, through the setting of objectives, the design of change process, the evaluation of the results and finally the determination of the objective for the next stage in change process.
- Action based – this recognises that the way managers behave in practice bears little resemblance to the analytical, theoretical model. The distinction between managerial thought and managerial action blurs in practice to the point of invisibility. What managers think is what they do. Real life therefore results often in a ready, approach to changing management. This typical approach to change starts with a broad belief that some problems exist, although they may not be well defined. The identification of solution through trial and error leads to the clarification of the nature of problem and a shared understanding of a possible optimal solution or at least a framework within which solution can be discovered.

#### **4. The way in which people change-Bandura**

Bandura describes the following as the way people change:

- People make conscious choice about their behavior
- The information people use to make their choices comes from their environment
- Their choices are based upon the things that are important to them
- The view they have about their own abilities to behave in certain ways
- The likely consequence of their behaviour.

According to Bandura, for those responsible for change management, the implications of this theory are as follows:

- The tighter the link between a particular behaviour and a particular outcome, the more likely it is that we will engage in that behaviour.
- The more desirable the outcome, the more likely it is that we will engage in behaviour that we believe will lead to it.
- The more confident we are that we can actually assume a new behaviour; the more likely we are to change people's behaviour. Therefore, we have to first change the environment within which they work. Convince them that the new behaviour is something they can accomplish (training is important).

- Persuade them that it will lead to the desired outcome.

#### **SELF-ASSESSMENT EXERCISE 4**

Identify and discuss the various change models.

### **3.6 Guidelines for Change Management**

Now, Armstrong (1995) has suggested the following guidelines. You are to take note of them.

- The achievement of sustainable change requires strong commitment and visionary leadership from the top.
- Those concerned with managing change at all levels should have the temperament and leadership skill appropriate to the circumstances of the organisation and its change strategies.
- It is important to build a working environment that is conducive to change. This means developing the firm as a learning organisation.
- People support what they help to create. Commitment to change is improved if those affected by the change are allowed to participate as fully as possible in planning and implementing it. The aim should be to get them to 'own' the change as something they want and will be glad to live with.
- The reward system should encourage innovation and recognise success in achieving change.
- Change will always involve future success; the failure must be expected and learnt from.
- Hard evidence and data on the need for change are the most powerful tools for its achievement, but establishing the need for change is easier than deciding how to satisfy.
- It is easier to change behaviour by changing process, structure and systems than to change attitudes and corporate culture.
- There are always people in organisations who can act as champions of change. They will always welcome the challenges and opportunities that change can provide. They are the one chosen as change agents.
- Resistance to change is inevitable if the individuals concerned feel they are going to be worse off – implicitly or explicitly. Inept management of change will produce such a reaction.
- In this age of global competition, technological innovation, turbulence, discontinuity, even chaos, change is inevitable and necessary. Moreover Armstrong concludes that every effort must be made to protect the interest of those affected by change.

## **SELF-ASSESSMENT EXERCISE 5**

Identify guidelines for managing change.

### **4.0 CONCLUSION**

In this unit, it has been made known to you that change is a dynamic process, which any organisation that wants to be effective and efficient, must not push aside; it must be responded to, appropriately. It could be at the individual level or group level. The change could be in response to external circumstances which is reactive change, and some could be deliberate on the part of the organisation, which is proactive change. Some organisations can be conservative in nature thereby allowing little or no change.

You also learnt that change is triggered by certain forces and these forces are what constitute the action the change agent is likely to take. However, the most important in the change agent task is to make the organisation to realise its objectives and ensuring that the organisation once more becomes effective.

### **5.0 SUMMARY**

In this unit, you have been exposed to how to manage change in organisations. Change can be defined as a dynamic process which involves altering, varying or modifying something in some ways. There are two types of change, reactive and proactive change. The unit also considered various models for managing change.

### **6.0 TUTOR-MARKED ASSIGNMENT**

1. Explain the concept of field force analysis.
2. Identify four ways in which people can change their behaviours.

### **7.0 REFERENCES/FURTHER READING**

Armstrong, Michal (1995). *A Handbook: Human Resources Management Practice*. Milford: Kogan Page Limited.

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## **UNIT 2     TECHNOLOGY AND STRUCTURE**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Technology and Organisational Structure
  - 3.2 Theoretical Perspectives of Technology
  - 3.3 Types of Technology
  - 3.4 Technology and Structure
  - 3.3 Impact of Organisational structure on Technology
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

Turning input to output requires a process; this process is the focus of this unit. This process is described as Technology. Technology shows how we can change input to output. Every organisation has at least one technology for converting financial, human and physical resources into products or services. For example, institutions may use a number of instructional technologies, the popular lecture method, the programmed learning method and so forth. In this unit, you will be taught how organisational structure adapts to technology.

### **2.0 OBJECTIVES**

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

- summarise the theoretical perspective of technology
- describe the impact of technology on structure
- define technology.

### **3.0 MAIN CONTENT**

#### **3.1 Technology and Organisational Structure**

All organisations turn inputs to outputs regardless of whether the organisation is into manufacturing, banks, insurances, and service outfits. The process of turning inputs to outputs requires technology. This involves information, equipment, and technique- and so on.

Charles Parrow (1967) defines technology as the action that an individual performs upon an object, with or without the aid of tools or mechanical devices in order to make some changes in that object. Parrows also goes further to identify two underlying dimensions of knowledge technology, which he describes as task, variability and problem analysis ability.

However, the fundamental challenge among the researchers revolves on how one can measure technology. Researchers have suggested ways of classification, although each of these parameters for measuring technology is a bit different from the other and it is likely to produce different results if applied. These are listed as below:

- Operating technique used in work flow activities
- Characteristics of material used in work flow
- Varying complexities in the knowledge system used in work flow
- The degree of continuous, fixed sequence operations
- The extent of information and
- The degree of interdependence between work systems.

### **SELF-ASSESSMENT EXERCISE 1**

Explain the role of technology in organisational structure design

## **3.2 Theoretical Perspectives of Technology**

Let us examine three theories which will aid your understanding of how technology affects organisational structure.

### **a. Initial Thrust**

This concept was championed by Joan Woodward in the mid 1960s to examine technology as a major determinant of organisational structure. Her focus was on production technology which was the major initiative to x-ray organisational structure from a technological perspective. Her objective was to establish if there is correlation between structured form and effectiveness which was to substantiate the theory that there is no optimum form of organisational structure that leads to organisational effectiveness.

In her findings, she gathered data from one hundred manufacturing companies in Southern England (from 250 – 1000 employees). Her data allowed her to compute various measure of structure: the number of hierarchical levels, the span of control, the administrative component, the extent of formalisation etc. A data on the finance of firms (profitability, sales, market share etc.) was gathered, which enabled her



to group companies as- above average, average and below average in terms of effectiveness and success.

Her attempt to correlate common structure with effectiveness was abortive. However, when firms were grouped according to their typical mode of production technology, the relationship between structure and effective became apparent. She came up with the categorisation of firms (in terms of technology) into- unit, mass, process and production. She classified these categories with increase degrees of technological complexity to discover which process was the most complex and the less complex.

Woodward (cited by Stephen Robbins (1987) proposes the following observations:

1. There were distinct relationships between these technology classification and subsequent structure of the firms.
2. The effectiveness of the organisation was related to the “fit” between technology and structure i.e. the degree of vertical differentiation increases with technical complexity.

Woodward also established that administrative component varies directly with the type of technology. This indicates that as technological complexity increases so also followed the proportion of administrative and supportive staff personnel. The critical analysis of Woodward’s effort, as indicated by Robbins, shows that for each category on the technological scale (unit, mass, process), and for each mid-point that encompasses the position of more effective firms, the firms that conform close to the mid-point figure for each structural component were the most effective.

The result indicates that mass-production technology firms were highly differentiated, they relied on extensive formalisation with little delegation of authority. The unit and process technologies were structured loosely. Flexibility was achieved through less vertical differentiation, less division of labour and more group activities, widely defined role responsibility and decentralised decision-making. Woodward’s research establishes a link between technology, structure, and effectiveness. Firms that approximated theoretical structure for their technology were most effective. Those that deviated in either direction from the ideal structure were less successful. This refers to the fact that effectiveness was a function of an appropriate technology structure fit. Organisations that develop structures that conformed to their technology were more successful than those that did not (Robbin, 1987).

The difference between Woodward's findings and the classical prescriptions of management theorists was explained based on these theorist's experiences with organisations that use mass production technologies. The mass production firm had a clear line of authority, high formalisation, a low proportion of skilled span of control at supervisory level and a centralised decision-making. This principle cannot be generalised since all organisations do not use mass production technology. Woodward research indicated in conclusion that there were no universal principles of management and organisation.

## SELF-ASSESSMENT EXERCISE 2

- i. What is technology?
- ii. Highlight the concept of initial thrust by Woodward

### b. Knowledge-based technology

Charles Perrow proposes the concept of knowledge based technology to provide generalised knowledge of technology to all organisations which goes beyond the scope of Woodward's initial thrust which is limited to manufacturing organisations only. Perrow sees technology as the action that an individual performs upon an object with or without the aid of tools or mechanical devices, in order to make some changes in that object.

He identifies underlying dimensions of knowledge-based technology.

- i. **Task variability** – this deals with exceptions found in one's work. Routine jobs have few exceptions; whereas jobs that have great varieties are made up of large number of exceptions, the latter is a feature of top management of organisations.
- ii. **Problem generalisation** – this dimension was devised to respond to task exception. It starts from well defined to ill defined problems. Defined problems involved the use of logical and analytical reasoning in search of solution. However, for ill-defined problems, you have to rely on your prior experience, knowledge, judgment, intuition, and probably, guess work, trial and error to arrive at a solution.

## 3.3 Types of Technology

Perrow points out four types of technology which are derived from construction through task variability and problem generalisation, classified into four cell matrix, as pointed out by Robbins.

**a. Routine technology**

This represents cell 1 which is made up of few exceptions and easy-to-analyse problems. Organisations that operate mass-production processes belong to this classification.

**b. Engineering technology**

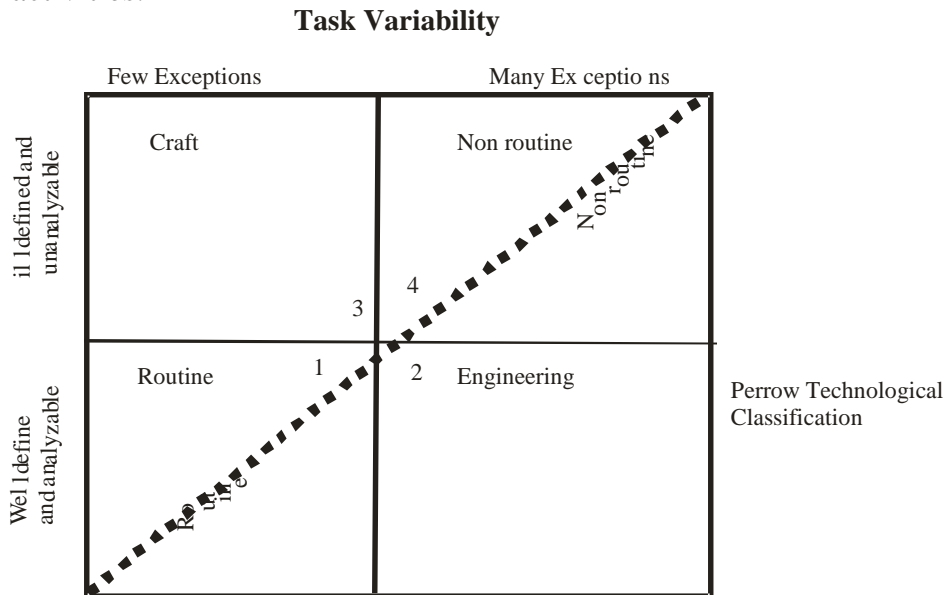
This includes those in cell 2 made up of large number of exceptions that can be treated in a systematic and rationale manner i.e. construction of office building.

**c. Craft technology**

This belongs to cell 3 which handles, relatively difficult problems but with limited set of exceptions i.e. shoe making, furniture making.

**d. Non routine technology**

This is found in cell 4 which is usually made up of many exceptions and problems that are difficult to analyse, i.e. strategic planning and research activities.



**Fig. 2.1: A Schema for Task Variability**

Perrow points out that for any problem that can be approached systematically, with logical and rational analysis, cells 1 and 2 will be best recommended. While for intuitive problems, with guess work and unanalysed experience, cells 3 and 4 will be the approach. Unfamiliar problems that appear regularly would either be in 2 or 4, if the problems are familiar, cells 1 and 2 will be appropriate.

He also proposed that task variability and problem analysis were positively correlated.

### Structural Characteristics

Cell	Technology	Formalisation	Centralisation	Span of	Coordination
1.	Routine	High	High	Control Wide	and control Planning & rigid rule.
2.	Engineering	Low	High	Moderate	Reports & meeting.
3.	Craft	Moderate	Low	Moderate wide	Training & meeting
4.	Non routine	Low	Low	Moderate narrow	Group norms and group meeting

Perrow infers that technology determines control and coordination. Highly structured organisation adopts routine technology. Firms with structural flexibility are most likely to adopt non routine technology. He identifies the aspect of structure that could be modified to technology as pointed by Stephen Robbins. These are stated below:

1. The amount of discretion that can be exercised for complexity.
2. The power of groups to control the goals of the unit and the basic strategy.
3. The extent of interdependence between the groups.
4. The extent to which these groups engage in the coordination of their work, and using perhaps, feedback in the planning of others.

The analysis of these assertions is reflected in the above structural characteristics as predicated by Perrow.

James Thompson's contribution to technological structure tends to differ in that he demonstrates that technology is the determinant factor in the selection of a strategy for reducing uncertainty and that specific structural arrangement can facilitate reduction of uncertainty. Thompson's Classification of technology deals with the range of technology in complex organisations.

#### 1. Long-linked technology

The task is sequentially interdependent. The tasks are carried out in sequence A before B, B before C i.e. mass production assembly. This requires efficiency and coordination in operation; however, the major

uncertainties that management faces is in the input and output of the organisation.

Example, acquiring raw materials and disposing finished product become management area of concern. The implication of this is that management has to respond to this uncertainty by controlling input and output and one way is to integrate vertically forward, backward or both. This allows the organisation to take care of the source of uncertainty within its limitation.

## **2. Mediating technology**

This is the type of technology that links clients on both the input and output sides of the organisation. The linking unit responds with the standardisation of the organisation's transactions and establishing conformity in the clients' behaviours i.e. banks, employment agencies, telephone firms. These organisations deal with uncertainty by increasing populations served. The more clients they have, the less they depend on the clients.

## **3. Intensive technology**

This reflects a customised response to a diverse set of contingencies. The exact response depends on the nature and variety of the problem, which cannot be predicted accurately. This type is dominant in hospitals, and universities. The operation requires flexibility, and the major uncertainty that managers face is the problem itself. The managers respond by ensuring that various resources are available to confront any contingency.

## **Structural implication**

Thomson's classification is less straight forward than that of Robbins and Perrow. It creates interdependency. Long-linked technology is sequential and must be done in specific serial order. Mediating technology is interdependent; two or more units contribute to a large unit.

Intensive technology creates reciprocal inter-dependence; that is, the outputs of units influence each other in a reciprocal fashion. Each of these interdependences demands certain coordination that will facilitate organisational effectiveness yet reducing cost. Thompson technological perspective reflects the followings.

Mediating technology = low complexity and high formalisation; long-linked technology = moderate complexity and formalisation; intensive technology = high complexity and low formalisation.

### **SELF-ASSESSMENT EXERCISE 3**

- i. Describe Thompson's classification of technology.
- ii. Identify four types of technology proposed by Charles Perrow.

## **3.4 Technology and Structure**

Here, let us consider the following.

### **1. Technology and complexity**

Research finding shows that routine technology is, positively, associated with low complexity. The more there are routines in an organisation, the less the training possessed by professionals and the occupational group tends to be fewer.

Invariably, non routine is likely to lead to high complexity. When the job becomes so complex and probably customised, it leads to narrow span of control and increases in vertical differentiation. When responses are customised, the tendency to use a specialist is greater and small span of control will be required by managers, because non programmed variety may become the challenge they may likely face.

### **2. Technology and formalisation**

Results from studies carried out indicate that there is a relationship between routine technology and formalisation. Routine indicates that there is a manual, for rules and job descriptions. This allows management to implement rules and formalised job regulation, because how the work should be done is well understood. It is noted that non routine technology requires control system that permits greater discretion and flexibility. However, the impact of technology is not disputed, Robbins (1997) suggests that when the size is controlled, the relationship tends to vanish. He, however, suggests that the relationship holds for small organisations and their activities at or near the operating core. He points out that as the operating core becomes more of a routine, the work becomes predictable. In this case, the most efficient coordinating device is high formalisation.

### **3. Technology and centralisation**

The relationship between technology and centralisation is dependent on the extent of formalisation. Stephen Robbins points out that both formal regulation and centralised decision-making are control mechanism, and management can alternate it with the other. When there is minimum regulation, routine technology is, likely, to be associated with central control. Decentralisation is likely to associate with routine technology when there is high formalisation. The prediction shows that centralisation can be caused by routine technology on the condition that formalisation is low.

#### **SELF-ASSESSMENT EXERCISE 4**

Identify and explain the various dimensions of technology and structure.

### **3.5 Impact of Organisational Structure on Technology**

The common theme that differentiates technologies is their degree of routine. By this we mean that technology tends towards either routine or non routine activities. Routine technology is associated with automated and standardised operations. Non routine activities are customised. They include varied operations such as furniture restoring, custom shoe making etc. Also, relationship is found between technology and structure. For instance, routine task is associated with more departmentalised structures. The relationship between technology and formalisation is stronger, it is indicated that routines should be associated with the manuals of rules and job descriptions and other formalised documentation.

Finally, an interesting relationship has been found between technology and centralisation. It seems logical that routine technologies would be associated with a centralised structure, while non routine technologies, which rely more heavily on the knowledge of specialists, will be characterised by delegated decision authority. This position accordingly has attracted some supports; however, a more general conclusion is that the technology – centralisation relationship is moderated by the degree of formalisation.

Formal regulations and centralised decision-making are control mechanisms; management can substitute one for the other. Routine technology should be associated with centralised control, if there are rules and regulations. However, if formalisation is high, routine technology can be accompanied by decentralisation. So, we can predict that routine technology will lead to centralisation, only if formalisation is low.

## **SELF-ASSESSMENT EXERCISE 5**

Discuss the impact of technology on organisational structure.

## **4.0 CONCLUSION**

In this unit, it has been made clear to you that technology refers to how an organisation transfers its inputs into outputs. Various researches have been carried out which show the relationship between technology and structure. These researches have established that there is a correlation between structural form and effectiveness.

Findings also indicate that routine technology is associated with low complexity and strong relationship between technology and formalisation. Finally, the relationship between technology and centralisation is dependent on the extent of formalisation.

## **5.0 SUMMARY**

This unit has exposed you to the impact of organisational structure and technology. Also, you have learnt that technology relates to how input is converted to output. This can involve information, technique, equipment and process. The unit also considered various theoretical perspectives on technology.

## **6.0 TUTOR-MARKED ASSIGNMENT**

- i. a. Identify the two major concepts underlining knowledge based technology as proposed by Charles Perrow.
- b. Discuss the four types of technology proposed by Charles Perrow.

## **7.0 REFERENCES/FURTHER READING**

Joans, Woodward (1965). *Industrial Organisation: Theory and Practice*. England: London University Press.

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## **UNIT 3      COMPONENTS OF ORGANISATIONAL DESIGN AND MANAGEMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Components and Types of Organisational Design and Management
    - 3.1.1 Simple Structure
    - 3.1.2 Machine Bureaucracy
    - 3.1.3 Professional Bureaucracy
    - 3.1.4 Divisional Structure
    - 3.1.5 Adhocracy
    - 3.1.6 Matrix Structure
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In the previous units, you learnt organisational structure and structural dynamisms of organisational design. This particular unit will deal with the components of organisational design, its environment, and management. It will, critically, evaluate Mintzberg's five structural designs, its merits and demerits and the environment and management. The contribution of Mintzberg to organisational design has stimulated further study to facilitate the understanding of organisational design.

### **2.0 OBJECTIVES**

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

- differentiate between the five configurations of organisational design proposed by Mintzberg
- list the merits and the demerits of each of these five configurations
- identify types of organisations
- categorise different organisations in your environment.

### **3.0 MAIN CONTENT**

#### **3.1 Components and Types of Organisational Design and Management**

According to Mintzberg, there are five types of organisational design; and any of these five parts can dominate an organisation. Moreover, depending on which part is in control, a given structural configuration is likely to be used.

There are five design configurations and each one is associated with the domination by one of the basic parts. Here, the underlisted should be taken into consideration:

1. If control lies with the operating core, decisions, are decentralised, this creates professional bureaucracy.
2. When strategic apex is dominant, control is centralised and the organisation is a simple structure.
3. If the middle management is in control, you will find essentially autonomous units operating in a divisional structure.
4. Where the analyst in the techno structure is dominant, control will be through standardisation, and the resultant structure will be machine bureaucracy.
5. Where supporting staff members rule, control will be via mutual adjustment, and adhocracy arises.

Each of these configurations is not without its advantages and disadvantages. However, it is the condition, structure and management which determine which will be more profitable to the organisation. Below are the five classical configurations put forward by Mintzberg.

##### **3.1.1 Simple Structure**

This operates, mostly, in flat organisations where hierarchy is less emphasised. In simple structure, decision-making is centralised on the person at the strategic apex. All reports are channeled to him. The simple structure is not elaborate, and it is characterised by complexity, and little formalisation; since authority is centered on an individual and there is informal decision-making. A typical example of simple structure is entrepreneurship business, in retail store.

The simple structure organisation is mostly applicable under the following circumstances.

- When the organisation is small and in the formative stage of development.

- It requires a simple and dynamic environment
- When the number of employees is few, small sized which implies less repetitive work and in the operating core, standardisation is less attractive.
- In the formative year, new organisation should adopt simple structure, no matter the environment and technical system.
- Simple structure is also associated with simple and dynamic environment especially with flat organisation with centralised decision-making and operation core. The reason is that simple environment can be comprehended easily by a single individual and this will enable the individual to control decision-making. A dynamic environment requires a dynamic structure so that it can react to unpredictable contingencies.
- Where top executives, with intention to hold on to power, resort to simple structure and avoid formalisation to maximise the impact at his or her discretion.

#### Advantages

- It is simple
- It is fast and flexible and requires no cost to maintain
- There is no layer of cumbersome structure
- Accountability is clear
- There is minimum amount of goal ambiguity because members are able to identify readily with the missions of the organisation. Someone can easily evaluate his or her input in the organisation.

#### Disadvantages

- Limited capabilities- with increase in size of organisation, thus leading to inadequacy of structure.
- Concentrating power in one person can amount to abuse of power and authority- as power corrupts.
- There is high risk in the structure, since everything is built on one person.

### 3.1.2 Machine Bureaucracy

Machine bureaucracy is associated with high level standardisation, with routine operating task. The rules and regulations in this structure are highly formalised with task grouped into functional departments. It also has centralised authority with an elaborate administrative structure and decision- making style that follows chain of command.

### 3.1.3 Professional Bureaucracy

This style of structure is best suited to large organisations with simple, stable environment and technology which contain routine work that could be standardised. For instance, mass production organisation with simple repetitive task i.e. prison, insurance and government agencies.

#### Advantages

- There is the ability to perform standard activities in highly efficient manner.
- There is the advantage of absolving less talented, and hence, less costly middle and lower level managers.
- There is economy of scale as a result of putting specialists together, and also duplicating of equipment and personnel is reduced to the barest minimum.

#### Disadvantages

- Obsession with following rules does not give room for modification, even when it is necessary.
- It creates sub-unit conflicts and functional unit goals, which can override the overall goal of the organisation.
- Centralised decision-making due to standardisation and high formalisation which does not allow for innovation and experienced decision makers.

This configuration combines standardisation with centralisation. In this dynamic age, modern jobs require experts. Many organisations are in demand of professionals to produce their goods and services. There is need for an organisational design on social specialisation rather than functional specialisation. The power of this design rests with the operating core because they have critical skill that the organisation needs, and they have autonomy provided through centralisation; examples are hospitals, universities, public accounting firms, and laboratories.

### 3.1.4 Divisional Structure

Power, in this structure, lies with middle management because structure is made up of autonomous unit. Its coordination is from the headquarters since the division is autonomous. The divisional manager has a great deal of control, and with all the divisional structure, each division generally, is autonomous. The divisional management is responsible for performance, mapping out strategy and operating decision-making authority.

There is also a centralised headquarters providing support services to the division. This typically includes financial, legal and tax services. The headquarters will act as an overseer evaluating and controlling performance. Divisions are autonomous with given parameters.

### Environment and management

This structure can be best applied to an organisation with product and market diversity. Where an organisation decides to choose a diversification strategy with focus on producing many products, then, this structure is recommended. It functions effectively under complex or dynamic environments which are associated with non standard process and output.

Simple environment is much favourable to division structure than complex environment. Increase in size encourages division structures. This will help to coordinate functional unit and keep members focused and coordinated in the organisation. Also, technology in division structure is possible when the official technical system can be efficiently separated into segment.

### Advantages

- It places full responsibility for product or services in the hand of the divisional managers.
- It provides for more accountability and focus in outcome compared to machine bureaucracy.
- It prevents the headquarters staff from being unduly concerned with day to day operating details, so they can afford to pay attention to long term project.
- Its autonomy makes it an excellent vehicle for training and development. Autonomous unit can be co-ordinated- with minimal effect on the entire organisation.
- Risk is spread by reducing chances that the weak part of the division will take down the other part of the organisation.

### Disadvantages

- Inherent coordination problems: it is difficult to transfer personnel frequently between divisions.
- The tendency to have conflicts is high. This is because mutual cooperation between divisions is not enforced and also disagreement could arise between headquarters and divisions.
- There is also the tendency for duplication of resources and activities because each division may have the same department.

## SELF-ASSESSMENT EXERCISE

Explain divisional structure pointing out the advantages and disadvantages.

### 3.1.5 Adhocracy

This structure is characterised by high, horizontal differentiation and low, vertical differentiation, low formalisation, decentralisation, great flexibility and responsiveness. Horizontal differentiation is great because adhocracies are staffed, predominantly, with professionals with high level of expertise. Supervision is minimal because professionals have internalised the behaviours which the management wants.

Decision-making in adhocracies is decentralised, this is necessary for speed and flexibility and because senior management cannot be expected to have the expertise necessary to make all decisions. Therefore adhocracy depends on decentralisation and team of professionals for decision-making.

### 3.1.6 Matrix Structure

This is a structural design where specialists from specific functional departments work on one or more interdisciplinary teams which are co-ordinated by project leaders. They emerge as a result of co-ordination problem in highly complex industries-such as aircraft manufacturing. It, usually combines a functional form of structure with a project-based structure. This is usually the case in the aviation industry. For instance, in the event of the need to produce a modified aircraft, the work is to be undertaken by a project team, to be co-ordinated by a project manager, who will be held accountable for the team.

He will deal with clients on regular basis. Also, he reports to his own senior manager on the progress of the project as a whole. G. A. Cole points out that this report extends to critical issues, depending on the complexity of the project. He also indicates that the matrix structure combines lateral with vertical lines of communication and authority. Thus, it has the important advantage of combining the relative stability and efficiency of hierarchical structure with the flexibility and informality of organic form of structure. Now, the advantages and disadvantages of matrix structure are considered below.

#### Advantages

1. It focuses on the requirement of the project group which is a direct contact with the client.

2. It helps to clarify who is responsible for the success of the project.
3. It encourages functional managers to understand their contributive role in the productive effort of the organisation.

#### Disadvantages

1. There is tendency of divided loyalties on the part of the members of project teams in relation to their own manager and their functional superior.
2. Allocation of resources may create potential conflict; and also, conflict can arise from the division of authority between project group and functional specialists.

### 4.0 CONCLUSION

In this unit, you have learnt that Mintzberg's contribution to organisational design has, no doubt, been considered an historical landmark. Mintzberg classification indicates five parts that are likely to dominate in any organisation; this is dependent on the part that is controlled. These configurations, as good and academic as they sound, are beset with lots of advantages, and disadvantages. However, it is the management, the condition and situation that will determine which will be beneficial to the organisation.

### 5.0 SUMMARY

In this unit, you have learnt that:

- there are five design configurations; these five structural designs are simple structure, machine bureaucracy, professional bureaucracy, adhocracy and divisional structure
- the environment, condition, and probably management, determine which one is more appropriate for achieving the objectives of the organisation.

### 6.0 TUTOR-MARKED ASSIGNMENT

Identify and discuss five basic parts that can determine a given structural configuration.

## 7.0 REFERENCES/FURTHER READING

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## **UNIT 4     MUTUAL IMPACT OF STRATEGY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Mutual Impact of Strategy on Structure
  - 3.2 Strategy-Structure Relationship
  - 3.3 Contemporary Strategy-Structure Dimension
  - 3.4 Systems: Theory and Structure
    - 3.4.1 Types of System
    - 3.4.2 Characteristics of Open System
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, you will be exposed to strategies and its impact on organisational structure. The concept of strategy has been misunderstood; there is a mix-up in the use of goal and strategy. Even though they have a relationship, both are different entirely. Goals are said to be 'end', whereas strategy indicates both 'means and end'. However, you should note also that goal-setting is a part of organisation strategy.

### **2.0 OBJECTIVES**

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

- define strategy
- outline various contributions of scholars on the mutual impact of strategy
- evaluate contemporary strategy-structure dimension
- identify strategy-structure typology.

### **3.0 MAIN CONTENT**

#### **3.1 Mutual Impact of Strategy on Structure**

An organisation's structure is a means through which management achieve its goals. Since goals and objective are derived from the organisation's overall strategy, it is only logical that strategy and structure should be closely linked. Obviously, structure should follow

strategy. Should management make significant change in its strategy, the structure will need to be modified to accommodate the change. Oftentimes, as earlier said, a lot of people confuse goal and strategy; though they are related, they have different meanings. Goal refers to 'ends', whereas strategy indicates both 'means and end'. Goal constitutes a part of the organisation's strategy.

Robbins (1987) defines strategy as the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary to carry out these goals. Decisions to expand the volume of activities, to set up distant plants and offices, to move into new economic functions, or to become diversified along many lines of business involve the defining of new basic goals. New course of action must be devised and resources allocated and re-allocated in order to achieve these new areas in response to shifting demands, changing source of supply, fluctuating economic conditions, new technological developments and the action of competitors.

This definition, according to Robbins, does not specify the emergence of strategy either as premeditated or something that just cropped up; however, he presents two ways in which strategy can be viewed. The first view is planning mode- this sees strategy as a plan, an explicit set of guidelines developed in advance. The management decides where they want to go, and then they develop a systematic and structural plan to get there. The second he calls evolutionary mode; this indicates that it is not a well thought-out and systematic plan, but it evolves over time as a pattern in a stream of significant decisions.

For instance, many organisations have forayed into many business operations different from their primary lines. This is, usually, not planned; it evolves as a result of opportunities available at the moment. An organisation in insurance business stumbles into an estate to be sold by government or individuals, it may decide to acquire the estate with the aim of generating extra profit. So, it can go ahead to develop estate/property management business, aside from its main line of business. Strategy considers both means and ends. The goals and decision-making up an organisation's strategy may be planned ahead of time or may just evolve as a pattern in a stream of significant decisions, however those who think that strategy determines structure see the decision makers as choosing the structure which they have.

### **SELF-ASSESSMENT EXERCISE 1**

- i. Identify and discuss two ways of viewing strategy.
- ii. What is strategy?

### 3.2 Strategy-Structure Relationship

Chandler's studied close to a hundred largest American firms and came out with a conclusion that change in corporate strategy preceded and led to changes in organisational structure. He states that a new strategy requires a new, or at least, refashioned structure if the enlarged enterprise is to be operated efficiently. Unless structure follows strategy, there will be inefficiency.

According to Chandler, the organisations he researched on started with a centralised structure which indicates that their product was limited. As the demand for products grew, a company has to expand. As a result of the increase in the line of the products, the company has to develop another structure to cope with their changing strategies. For example, they integrated vertically by purchasing their source of supply, this makes them less dependent on supplier. To efficiently produce, greater varieties of product groups were created in the organisation. This resulted to a structure that was, fundamentally, different.

The impact of growth and diversification gives birth to autonomous multidivisional structure. The structure that was highly centralised became inefficient and cannot cope with greater complexity that has emerged. Chandler concludes that unless new structures are developed to meet new administrative needs, which result from an expansion of a firm's activities into new areas, functions or product lines, the technological, financial and personnel economies of growth and size cannot be realised. However, Robbins, in his analysis of Chandler's thesis, states that "as an organisation seeks to grow, its strategies become more ambitious and elaborate. From single product line, companies typically expand their activities, within the same industry. This vertical integration strategy makes for increased interdependency between organisational units, and created the need for more complex coordinate device.

The device complexity is achieved by redesigning the structure to form specialised units based on the function performed. Also, if it grows into product diversification, the structure again must be adjusted if efficiency is to be achieved. A product diversification strategy demands a structural form that allows for efficient allocation of resources, accountability and coordination between units. This, according to Robbins, can be achieved through the creation of a multiple set of independent divisions, each responsible for a specific product line.

#### SELF-ASSESSMENT EXERCISE 2

Explain the strategy-structure relationship.

### 3.3 Contemporary Strategy-Structure Dimension

Miles and Snow developed four types of strategy based on the rate at which an organisation changes its products or markets. This classification is currently the most popular framework for defining strategy and its impact on structural design.

1. **Defenders** – they seek to maintain stability and have only limited product; with their limit, they create limited niche and domain and fight aggressively to prevent competitors through standard economic actions such as competitive price and high quality products. This result into a structure made up of high horizontal differentiation, centralisation, control, and elaborate formal, hierarchical communication.
2. **Prospectors** – their edge is finding and exploring new products and market opportunities. They place premium on innovation, rather than a quest for profit. Focus is on developing and maintaining surveillance over their environmental condition, trend and event; and consequently, they invest more on personnel who carry out this task of locating opportunities. The structure will be low in formalisation, have decentralised control with lateral as well as vertical communications. Its effectiveness lies in its capacity to respond to demand of tomorrow's world- as stated by Robbins.
3. **Analysers** – this tries to minimise waste and maximise opportunities for profit. Their strategy is to enter into new product market safely. They avoid risk, as much as possible, and have a tendency to imitate the ideas of prospectors. According to Robbins, analysers must have the ability to respond to key prospectors, and yet, maintain efficiency in the product and market areas. Their profit margin is low but they are more efficient than the prospectors.

Analysers seek both flexibility and stability; they do this by developing a structure that has dual components. A part of this organisation has high levels of standardisation, and mechanisation for efficiency, other parts are adaptive to seek flexibility. Consequently, they seek structures that can accommodate both stable and dynamic area of operation.

4. **Reactors** – this is described as residual strategy. It results from improper pursuit of the former three strategies. Reactors do not respond appropriately to the challenges in their environment. That may result to poor performance and lack of commitment to aggressive future strategy. Top management does not define organisation strategy clearly and may develop organisation structure to fit into the chosen strategy. The organisation lacks set of mechanisms to respond to the challenges of the environment.

Strategy Defender	Goals Stability and Efficiency	Environment Stable	Structural Characteristics Tight control; extensive division of labour: high degree of formalization Centralised.
Analysar	Stable and Flexible	Changing	Moderately Centralised control; tight control over current activities Loose controls for new undertakings.
Prospector	Flexibility	Dynamic	Loose structure, low division of labour; Low degree of formalisation decentralised

(adapted by Robbins from 'Organisational Strategy: Structure and Process'- written by Raymond, E. Miles, Charles Snow *et al.* *Academic of Management Review*, July 1978 pp. 652 – 556.)

#### **Fig. 4.1: Strategy-Structure Typologies**

#### **SELF-ASSESSMENT EXERCISE 2**

- i. Differentiate between the defenders and the prospectors
- ii. Which of the four types of strategy do you think will enhance efficiency- with barest minimum risk?

### **3.4 Systems: Theory and Structure**

Stephen Robbins (1987) defines a system as a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

He points out that societies, plants, humans and automobiles are systems because they take inputs, transform them and produce some outputs. The unique identification of system is the interrelationship that exists in its parts within the system.

Accordingly, every system is made of two different forces known as differentiation and integration. In a system, specialised functions are differentiated which replaces diffused global pattern. For example, human body is made up heart, lung, liver which have different functions. Likewise, organisation has different departments which are differentiated to perform specific functions. In every system, unity is maintained in order to make it form a whole, through a process of reciprocal process of integration.

In an organisation, this process is attained through coordinated level of hierarchy, direct supervision, rules, procedures and policies. While organisations are made up of parts of subsystems, they are themselves sub systems within a larger system. Note that not only are there systems

but there are also sub-systems and supra-systems. The groupings are determined by their analysis.

### 3.4.1 Types of System

There are two types of systems, namely- close system and open system.

**a. Closed system-** close system has static or rigid boundary. The boundary is so flexible that the system does not, under any circumstance, interact with the external environment. It does not interact with its environment or with another system. In other words, it does not depend on the environment for its input or neither does it allow its output also in the external environment. Atrophy is a feature of a close system; it is one in which no energy is received from outside source, and in which no energy is released to its environment.

**b. Open system** – this interacts, constantly, with its environment. It has the characteristics of cycles and dynamic homeostatic. Homeostasis is the maintenance of equilibrium condition by the open system, through constant interaction with its environment. Open system has a flexible boundary which helps it to obtain information from its environment.

Thus, the information above enables the system to gather inputs and process them into output. Every firm takes resources and transforms them into products and services which are disposed of outside the system.

### SELF-ASSESSMENT EXERCISE 3

Differentiate between close and open system.

### 3.4.2 Characteristics of Open System

1. Integration and coordination – open system integrates output which is produced through profit coordination of division of labour and specialised role.
2. Homeostatic and maximisation – open system is associated with negative atrophy; in other words, they maintain adequate importation of energy to compensate energy loss and maintain equilibrium it can repair itself, maintain its structure and avoid death.
3. Equal-finality – this identifies the ability of the organisation to achieve its goal through various alternative inputs and transformation process. Organisation produces the same products or services using varied group coordination and integration depending on the process they choose.

4. Feedback and information input – they receive information from their environments which allows them to make adjustments and correct any defect in their process.
5. Critical in nature – there is a pattern of repetition; the output reinforces new input that allows for repetition
6. Growth and expansion – this is inevitable if the system is properly managed. The tendency for growth, consequently, ensures survival.

## **4.0 CONCLUSION**

In this unit, you have learnt that strategy determines the basic long term goals and objectives of an enterprise. It also shapes the adoption of a course of action and distribution of resources to help accomplish the goals. Strategy is an offshoot of planned and explicit set of guidelines focused in the direction of accomplishment of management objectives.

It has also been made clear to you that strategy can evolve as a result of management's attempt at responding to the challenges of change in the environment; and also, it can be an attempt to exploit opportunities. Studies indicate that change, in corporate strategy, is preceded by change in organisational structure.

## **5.0 SUMMARY**

In this unit, you have learnt the following:

- that goals and objectives are products of overall organisational strategy
- that strategy and structure are closely linked
- that studies on strategy–structure indicate that change, in corporate strategy, is preceded by change in organisational structure.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss the two ways in which strategy can emerge in an organisation.

## 7.0 REFERENCES/FURTHER READING

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