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MANAGING ORGANIZATIONS

Business can be described in terms of three core concepts: *purpose, structure* and *function*. Chapter 2 showed how the purpose and goals of an organization can be defined and set, and how strategy is made. In this chapter we move on to the second core concept, structure. In order to achieve its aims and purposes, an organization has to bring together a series of elements – people (discussed in Chapter 3), resources, technology and so on – and combine them so that they work effectively together. This in turn requires us to look at issues such as organizational structure and function, i.e. how organizations actually work.

Creating and sustaining an organization is one of the most important aspects of management. Indeed, some theorists regard organization as the single most important aspect of management. It is hard to overstate the importance of organization, for without a properly functioning structure a business cannot reasonably expect to meet its goals.

Organization is a very complex field, both in theory and in practice. Organizations tend to be unique, making it difficult if not impossible to generalize about them. They also tend to change and evolve, so that a theory that appears to be correct at one moment becomes outdated the next. In particular organizations are (usually) constantly growing, creating sub-organizations within themselves and spinning off new organizations which they then control. In order to keep matters simple, we will here consider organizations of a fairly simple form, and will look at single organizations only; we will not, for example, look at cases of companies owned by other companies, such as conglomerates or holding companies. In

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reading this basic account of what organizations are and what they do, the reader needs to be aware that the real picture can be much more complex.

DEFINITIONS

As said, the study of organizations is a very complex field, and a considerable vocabulary of terms and jargon has built up over the years. The following terms will be commonly encountered:

Organization theory Organization theory is a body of management theory that studies how organizations are constructed, comparing different types and how they perform in different circumstances. Some organization theorists study organizations as they actually exist, while others look for an ideal type of organization. Organization theory shows how business organizations have changed and evolved over the years, and will continue to do so in the future.

Organization behaviour Rather confusingly, this term has two meanings. It is most commonly used in a broad sense to mean the whole field of the study of organizations, including organization theory (above). Originally, though, it referred to the specific study of how organizations function. Drawing heavily on fields such as psychology, sociology and political science, among others, as well as on specific studies of business organizations in a variety of settings, organization behaviour seeks to unravel the complex relationships that exist within and between organizations, and to understand how they can be better managed, created and changed.

Structure The structure of an organization refers to how the organization is built and the relationship of its constituent parts to each other. Bureaucracies, line and staff organizations, network organizations and virtual organizations are all examples of structures; we will discuss these and other examples in more detail below.

Hierarchy Closely related to structure, hierarchy determines the organizational 'pecking order'. In theory, by knowing their place in the hierarchy, each member of the organization knows their own responsibilities, who they report to and who reports to them, and what level of authority they have. Hierarchies are often described as having 'layers', with the top layers being senior management and the board of directors, the bottom layers being shop-floor workers or their equivalent, and other layers of 'middle management' in between. Contemporary theories of organization tend to regard hierarchy as being at best a necessary evil, and stress the importance of democracy and equality within the organization. However, at least some hierarchy is present in almost every business organization.

Communication Communication is essential within organizations as it allows knowledge to be circulated, and without knowledge organizations cannot function (see Chapter 8). Communication is sometimes spoken of as being either vertical – between layers of the hierarchy – or horizontal – between different departments or business units at the same level within the hierarchy. Communication can take a variety of forms: formal memos and letters, e-mails, posts and exchanges on social media platforms, formal meetings, or private and casual conversations.

Co-ordination Sometimes also known as control (though this term is becoming outdated in many circles), co-ordination is what managers do in order to bring all the elements of the organization together and make sure they are pulling in the same direction. An organization which is badly co-ordinated features individuals and groups working without reference to each other, often wasting effort, sometimes working at cross purposes. In a successfully co-ordinated organization, everyone is aware of what everyone else is doing and is working in harmony towards the same goal. It goes without saying that good communications are vital to co-ordination. Achieving co-ordination is one of the most important and difficult tasks of the manager.

Departments/business units Departments and business units are smaller 'organizations within an organization'. They come into existence when the business becomes too large to be co-ordinated and managed from a single point, or when specialist functions need to be added. Departments are usually dedicated to a single function, such as marketing, human resource management, finance, purchasing, etc., while business units are usually self-contained mini businesses with people from various functions working together. Business units may be established when expanding to another location (a company based in Chicago might set up a separate business unit to handle business in New York), or to focus on new and different products and services (a sporting goods manufacturer might have one business unit making skis and another making golf clubs). Departments are usually integrated into the company, while business units may have a degree of autonomy; indeed larger business units will often have their own small functional departments, as above.

Groups and teams Groups and teams are the smallest sub-units of the organization. They are usually assembled to perform particular tasks, and can be composed of managers and workers of different grades, from upper management to the shop floor. The two terms are often used interchangeably, but in general teams are formally constituted and usually have an official leader, either chosen by team members or appointed from outside. Sizes can vary, but the majority of teams have between four and ten members. Groups are sometimes larger, and often are not formally constituted and/or have no official leader.

Networks Networks are relationships between people that do not depend on hierarchy. In other words, networks treat all members as equal, and do not regard any one portion of the network as dominant, unlike hierarchy which has a descending scale of ranks and seniority. Networks are often structured from the centre outwards (rather than from the top down, as in hierarchies), rather like a spider's web. More radical forms of network have no organized centre at all and have seemingly random patterns of relationships. Networks are sometimes seen as alternative to hierarchy, but in fact can co-exist with hierarchy within an organization. An organization that is hierarchically structured can also have networks that enable communication and management.

Culture Culture consists of the shared beliefs, ideas, traits and even emotions that are held in common by most or all members of the organization. Every organization has its culture, and it affects virtually all other concepts in organization. How people communicate, how they see the hierarchy (if any) and their own role in it, how they respond to and interact with each other in groups and teams, how they work and think are all influenced by culture. The impact of culture is particularly noticeable when it comes to the management of change.

Resilience Part cultural and part structural, resilience refers to the ability of an organization to absorb severe shocks and recover from them quickly. Partly this is a matter of finance; if the organization has sufficient cash reserves, it can spend money to get itself out of trouble. But resilience is also embedded in organizational systems and processes, and in culture; are managers and staff able to think quickly and 'pivot' to a new position, or move rapidly to solve and overcome problems? Sometimes the events that require resilience are particular to that organization, like BP's response to the *Deepwater Horizon* disaster; sometimes they are seismic events that have consequences for organizations everywhere, like the 2008 financial crisis or the Covid-19 pandemic.

PROBLEMS IN THE STUDY OF ORGANIZATION

Given the importance of organization, it is hardly surprising that there should be many theories about it. Business organizations have been studied using methods and concepts imported from virtually every other discipline, from physics and biology to history and aesthetics. Chaos theory, molecular biology, Darwinian evolution, Marxist dialectics, poetic logic, computer science, neural networks and other theories of human brain activity, science fiction and the teachings of Confucius are just some of the ideas that have been applied in order to understand more fully what organizations are and how they work.

Despite all this activity, there remains much disagreement as to what constitutes an organization, how it should be structured and how it should be managed. No generally agreed total theory of organization exists; there is no organizational equivalent to the theory of relativity, for example. The Canadian scholar Gareth Morgan has argued that this is because organizations are too complex for any single theory to completely capture them. Organizations are multi-faceted: they are made up of an array of human beings and technology working together, often in vastly different ways, and increasingly in quite different places, and they can look quite different depending on which angle you view them from. Any one theory of organization, says Morgan in his book *Images of Organization*, will only illuminate one facet. To really understand organizations properly, we need to use many different kinds of theory and explanation. Some theorists see organizations as machines, structured like mechanical objects; others see them as biological organisms, growing and changing in an evolutionary manner. And it may be, says Morgan, that both these concepts are right, up to a point. Business organizations are both machines and living organisms, and a lot of other things besides.

Two other factors complicate the study of organizations still further. First, no two organizations are identical. Their formal structure might appear to be similar, but there will always be differences, and often these differences will be subtle and hard to detect. Another Canadian theorist, Henry Mintzberg, suggests that organizations evolve and adapt themselves to their environment, and that each takes on a unique character as a result. Others believe that because organizations are made up of people, and people are all individuals, organizations will be individual in nature as well. But for whatever reason, no two organizations are exactly the same, and therefore generalizing about them is very difficult.

Second, as in many areas of management, there is a considerable gap between theory and practice when it comes to organizations. A number of 'best' models or ideal types of organization have been created and extensively discussed, but it remains the case that most organizations do not conform to any of these ideals. Most organizations are imperfect, and in practical terms much of a manager's time can be spent dealing with these imperfections. Trying to rid the organization of these imperfections and make the organization 'better' leads us to one of the most problematic issues in all of management, the management of change. We will discuss change management later in this chapter, but for now it is important to remember that many theories of organization discuss ideal organizations rather than actual ones. Any consideration of the 'best' form of organization has to include a discussion of how to create it, either by building a new organization from scratch or adapting and changing an existing one.

THE COMPONENTS OF ORGANIZATION

Bearing in mind that, as noted above, every organization is unique, each will be built up and structured in different ways. However, there are some common elements that all business organizations will have.

Every organization is made up of a variety of smaller units, including business units, departments, groups and teams as described above, and finally the smallest unit of all, the individual member of staff. How many of these units and what exactly they do will depend on the size of the organization, the nature of the business it does, and where it is located. It is almost impossible to generalize about organizations in this way. Some very large businesses (steel mills for example) have just a single physical site where tens of thousands of people are employed; others, such as airlines, may employ comparatively few people, but those people may be dispersed in small offices or business units around the country or around the world.

How these units are organized and structured depends, as we say, on the nature of the business. Figure 4.1 shows three examples of different types of business: a consultancy business, an airline and an automobile manufacturer. You will see that there are three quite different configurations, each of which has been designed to help the company meet its strategic targets and goals. Some elements are common: for example, all three have marketing departments and all three have accounting departments. But some elements are unique to the organization in question. Here we see the concept of 'organizational fitness for purpose' coming into play again: organizations adapt themselves and configure themselves according to the industry they are in and their environment.

THE BOARD OF DIRECTORS

At the top of the organizational hierarchy in all organizations except for the very smallest sits the board of directors. When we think of boards we often think of large corporations, but many public sector organizations have boards too, and charities are usually required to have them by law. The directors have a unique set of responsibilities: they are responsible for policy and for ensuring that the company meets its targets. According to most theories of corporate governance, the directors are in a sense custodians of the company and are required to obey the wishes of the shareholders. In practice, the situation is rather more complex. In particular, members of the board of directors of companies may themselves be major shareholders, or represent the interests of particular shareholders: for example, a bank or investment institution which owns a large percentage of the company may have the

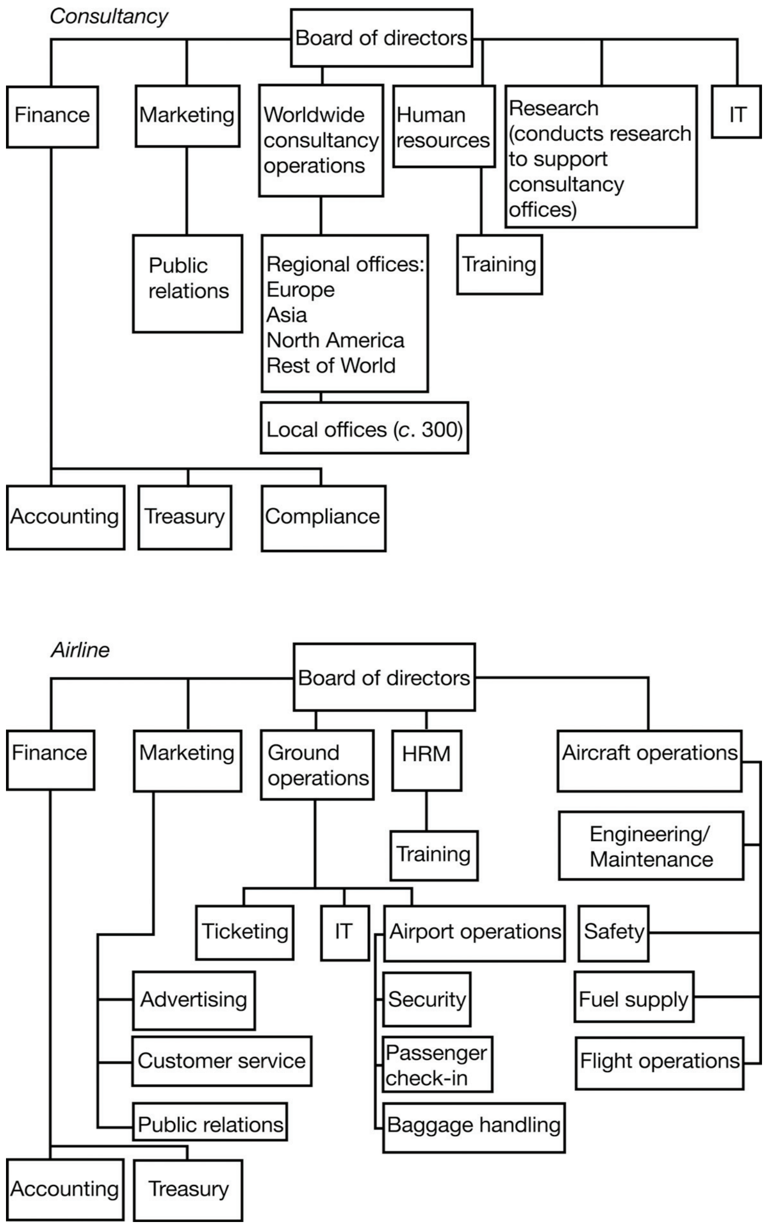

Figure 4.1 Three organizations

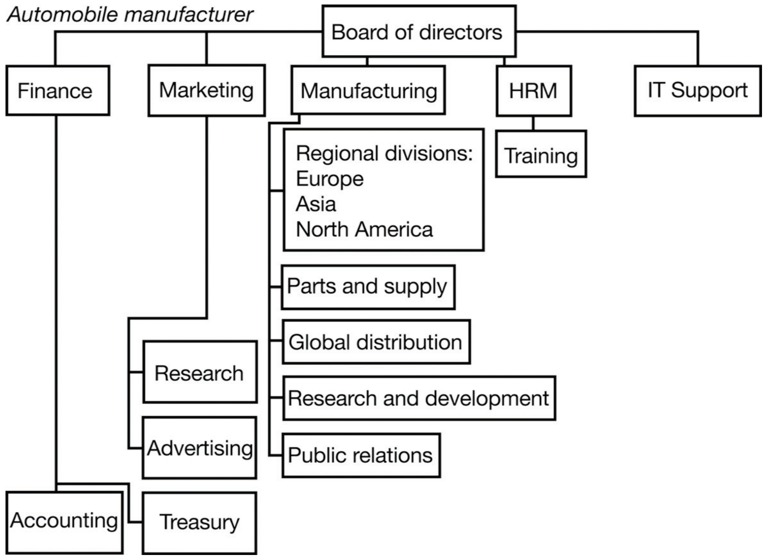

Figure 4.1 Continued

right to nominate one or more people of its choice to the board of directors.

Typical boards of directors are composed of a chairman, a managing director or chief executive officer, and a number of what are known as executive directors, each of which is responsible for a particular aspect of the business. Thus a finance director or chief financial officer may be in charge of corporate finance, a marketing director will be in charge of marketing. Directors were once commonly known as vice-presidents, thus the vice-president for marketing, vice-president for finance and so on, but this term is now less common; it is now used mainly in American companies, and often connotes a manager at a level below that of the board. The executive directors together are sometimes known as the 'C-suite', including anyone whose title begins with the word 'chief'.

In addition, most boards have a number of non-executive directors, known in the USA as independent directors, who have no day-to-day function within the company but act as advisers to the rest of the board. Sometimes these are nominated by major shareholders, at other times they are nominated by the board itself. Non-executive directors are required to be people of experience and integrity, who can comment effectively on proposed strategies and policies. They also conduct some external functions such as auditing accounts, determining pay and compensation packages for senior managers, and recruiting new executive directors when necessary.

Probably the most important relationship within the board is that between the chairman and the managing director/chief executive officer. The chairman conducts board meetings and acts as a kind of co-ordinator for the board itself. He or she is usually also the public face of the company, and often takes prime responsibility for areas such as public relations and relationships with shareholders. The managing director focuses more on the organization itself, and is responsible for all aspects of management. The chairman and the managing director work very closely together, and it is essential that they be able to get along. When the managing director and the chairman are in dispute, the result is often a kind of organizational paralysis, with no one – shareholders and employees included – certain of who is in charge.

In some countries, including the USA, it is not uncommon for the same person to be both chairman and managing director; but the workload in these cases is enormous, and few have the stamina to do this for long. In the UK and many other countries the rule is that the chairman and CEO roles may not be combined, but must be held by two separate people.

ORGANIZATIONAL SUB-DIVISIONS

Small, newly founded organizations often have just a single group of people working together, taking on tasks in an ad hoc manner, everyone working together to get the job done. As soon as expansion reaches a certain point, however, it becomes necessary to start sub-dividing the organization. Early organization theorists spoke of something called the ‘span of control’, meaning that once an organization becomes too large, either in terms of numbers of people or geographical dispersion, it becomes more and more difficult to manage. Today, internet technology and e-mail have greatly increased the span of control, and managers can now coordinate larger groups of people over greater distances. Nonetheless, limits still exist, and a degree of sub-division is inevitable if the organization is to grow. In a company employing 600,000 people, the managing director cannot be everywhere at once.

The first sub-division is usually the setting up of departments to handle separate functions. A manufacturing company will have a production department responsible for actual manufacturing, and then a variety of departments that handle finance, accounting, human resources, marketing, purchasing and research and development, for example. A company engaged in providing services (retailing, banking, catering, etc) will have a front-line service department, again with various supporting departments as above. The next type of sub-division is the business unit. These typically are established to take advantage of a particular market (such as a particular geographical region or a specific group of consumers) or develop a specific group of products or services outside the company's main field of activity. Note that the consultancy firm in Figure 4.1 has several business units, while the airline has none.

Figure 4.1 shows some of the ways in which organizations can be sub-divided according to need. Note that the sizes of these sub-divisions can be quite unequal. For example, the automobile manufacturer's purchasing department is much smaller than its manufacturing department in terms of numbers of managers and workers employed. And sizes of comparable departments will also vary between organizations: the consultancy firm's marketing department is comparatively small, as most customer contact is handled by consultants themselves, while that of the airline is very large.

It should be noted that many different names for these departments and business units exist. Production departments, for example, can be known as manufacturing departments, engineering departments or any other name the company feels best describes the department and suits its own purpose. Departments, especially large ones, are sometimes also called divisions. Business units too may be known as divisions or reporting units, again according to local culture or the wishes of the company and the directors.

Departments and business units will have their own hierarchies. At the top of each is a senior management team who report directly to the board; one member of this team is also often a member of the board (such as the marketing director, finance director, etc). Below the senior management team are other managers, usually known as 'middle managers' who run smaller teams, groups and work units, and they are assisted by junior managers who work with smaller units still. Finally we come to the employees at the bottom of the hierarchy, including clerks, service staff, salesmen and women, and production line workers .

THE VALUE CHAIN

These different departments and divisions with their various functions are all linked by one related purpose: to create value for customers, clients, service users and others who benefit from the organization's activities. This notion is encapsulated in the idea of the *value chain*, usually credited to the Harvard academic Michael Porter, who popularized the concept in the late 1980s.

The value chain idea suggests that products pass through a series of stages within the company, beginning as purchased raw materials and ending as a finished product delivered to the customer. At each stage, value is added to the product. For example, when manufacturing cars, production departments first build the basic car and engine, and then add features which make the car more desirable – i.e., more valuable – in the eyes of the customer. Advanced braking systems, air bags, comfortable seats, CD players, catalytic converters are all features that add value to the basic car.

It was once assumed that only the production department created value, but if we look around the company, all departments add value, often in obscure ways. The distribution department adds value by ensuring that cars are delivered quickly and reliably to dealers and thus to customers. The purchasing department adds value by sourcing high-quality components, and/or by reducing costs meaning that the car can be delivered to the customer at a lower price. The marketing department adds value by making customers aware of features they might not be aware of, and by providing after-sales service. The human resources department adds value by ensuring that employees are happy and highly-skilled, thus contributing to the quality of the product. The finance department ensures that the company's finances are well-managed and that resources are available when needed to allow the other departments to carry out their functions. The efforts of all of them, working together, should provide value for the customer or end user. If they do not, then something is wrong somewhere and some part of the value chain is broken.

INDIVIDUALS AND TECHNOLOGY

The smallest unit of the organization is of course the individual, man or woman, worker or manager. Each individual is typically part of a team or group, and that team or group is in turn part of a department, division or business unit. Thus a hierarchical chain is formed extending from the board of directors to the shop floor and to all the support functions of the business.

Organizations are often described in terms of their being collections of individuals. In fact, there is another vital element to organizations as well: the tools and technology with which people do their work. Virtually all work requires technology of some sort, be it as simple as a hammer and saw or as complex as an artificial intelligence guided design system or a supercomputer. It is the interaction between people and technology that makes work possible. We ought, therefore, to properly think of organizations as collections of individuals working with technology.

ORGANIZATIONAL CAPITAL

Traditionally, the resources of a firm were said to consist of three physical assets: land, labour and capital (meaning finance or money). Since the late nineteenth century, though, economists have realised that businesses also have another, much more intangible form of asset, namely the knowledge and skills of the people they employ. Later economists, notably Edith Penrose in the 1950s and 1960s, developed this idea still further, and organizational capital has now become a widely used term.

Organizational capital refers to knowledge, experience, systems, procedures, ways of doing things, understanding of the market and the business environment and a whole host of other intangible factors. It also includes what might be described as the intangible assets a business possesses: assets that cannot be physically touched and which may be difficult to measure and value, but which nonetheless exist and are important. The oldest and most widely recognised asset of this type is goodwill, the reputation that a business has with its customers and suppliers. Goodwill with customers, for example, means that people are more willing to buy the company's products and services, and this should translate into higher sales and thus higher profits. Related to goodwill is brand equity, the value that a company's brands are said to have in the eyes of consumers (see also Chapter 5). Finally there is intellectual property, an umbrella term relating to copyrights, patents, trademarks and so on. Intellectual property represents ideas that the company has created, which are of value to customers, and which are unique in the marketplace.

The term 'organizational capital' represents things that the organization does and knows and owns collectively, not just as a group of members. Although organizational capital is very hard to value and measure, its importance in competitive terms cannot be overstated. A football team whose members have played together for many years and have a shared set of plays, routines and signals, plus a part-intuitive knowledge of each other and how they perform on the pitch, will nearly always defeat a team whose members have never played together before, even if the second team's players are individually more skilful. In just the same way, a company that works together well and has a strong body of organizational capital will usually be more successful than one that is no more than a collection of individuals working to their own tune, no matter how skilled and trained those individuals are.

THE BEHAVIOUR OF ORGANIZATIONS

Because organizations are composed of human beings, they are not static. One of the first principles of organization is that they are dynamic things, constantly shifting and changing. This is because the people with them are also changing. Some leave for other jobs or retire, and are replaced by others. Some move around within the organization. Relationships between people and teams change, and on top of this management may find it necessary to change the structure of the organization to meet external challenges.

Understanding the relationships between those individuals and how these progress over time is essential to understanding how organizations function. In this understanding we must look at both the individual and the collective, the person and the organization. Further, not everything that happens in organizations is rational and visible; indeed, it has sometimes been argued that organizations themselves have a kind of collective sub-conscious, where people communicate and understand (or mis-understand) each other on an unspoken basis.

GROUPS AND TEAMS

One of the most fascinating areas of organization behaviour is the study of how people work in groups. It has been observed that often individual behaviour actually changes in the group setting; speech and body language will take on new patterns, people who are vociferous in private will become courteous and deferential to other team members – or vice versa.

An effective group or team is one that is more than just a collection of individuals. It generates and shares knowledge, within itself and with other groups and teams. It creates an atmosphere where everyone works together towards the same goal, often without overt direction or control. Over time, groups and teams develop a collective behaviour and even a culture of their own. Managers need to take care that this culture remains aligned with that of the rest of the organization.

When a team works well together, its outputs are greater than the sum of its parts; that is to say, by working together, members of the team are able to do more than they could by working on their own. They make more products, deliver better service, come up with more creative and innovative ideas. This is known as *synergy*, and is what all team leaders should be looking for, because that extra productivity is what creates organizational capital and value for customers.

However, not every team achieves this. In some cases the team's output is actually less than the sum of its parts, because not every team member is pulling their weight. This is known as *social loafing*. The concept was first identified by sociologists in the early twentieth century studying sports teams, especially in tug-of-war competitions. Observers noticed that when the competition was between two people, each pulling on one end of the rope, both parties would pull as hard as they possibly could in order to win. But when teams of four competed with each other, not every member would exert their full effort; some would not pull as hard as they could, confident that their team members would, literally, take up the slack.

For management, the challenge is to ensure that synergy is created and social loafing is avoided. If synergy is *not* being achieved, managers need to find out why. Some individuals on the team may not be experiencing job satisfaction; for any of the reasons that Herzberg discussed, they may have become demotivated. In that case, remedies need to be sought so that motivation and satisfaction increase. However, in some cases it may be that members of the team, for whatever reason, are not able to work together productively. It may be that there is a clash of personalities or styles, or it may be that the team environment is not a psychological safe space, meaning some staff do not feel they belong there.

It is not unknown for highly skilled individuals who are capable of great individual effort to be unable to function effectively within a team. This is particularly visible in sports teams, where it is widely accepted now by coaches that forming an effective team is not just a matter of picking the most talented players. Those who are less endowed with natural talent can still flourish given the right team culture and structure, and work with their colleagues to create synergy.

RELATIONSHIPS WITHIN ORGANIZATIONS

As should be clear from this chapter so far, it is both individuals and the relationships between them that lie at the heart of organization behaviour. Relationships can be either formal, laid down as part of the organization's hierarchy, or informal, between groups and individuals.

Formal relationships are usually ones which deal with reporting, co-ordination and control (of which more below). They are, as said, part of the organization's hierarchy, and at the level of the individual may even be spelled out in that individual's job description. Thus the quality assurance manager will have a formal relationship with the chief production manager, as the latter is his superior; the marketing director will have a formal relationship with the sales manager, as the latter is her junior. Formal relationships do not have to be 'formal' in personal terms; where individuals get along well, they may well wish to treat each other informally, and in most organizations this is encouraged. But the relationship remains formal in the sense that it is required as part of the organization's structure, and if the relationship breaks down, the consequences for the organization could be serious. If the sales manager no longer speaks to the marketing director or fails to pass on vital information, then the marketing director's ability to do her job will be seriously impaired.

Formal relationships also exist between departments, again primarily for the purpose of ensuring reporting and feedback. The marketing department will have relationships, ideally at several levels, with the production department in order to pass back information received from customers. Nearly every department or division will have a relationship with the accounting and finance function in order to ensure requirements for financial control are met (see Chapter 7). Again, these formal relationships are necessary to ensure the flow of information and to make the business work effectively.

Informal relationships are not part of the hierarchy, and are not deliberately created by the organization. Rather, they spring up when people begin to work closely together and identify mutual interests or concerns. Often, though not always, they are accompanied by personal acquaintance or friendship. They may take the form of casual conversations in corridors or at lunch, e-mail exchanges, even meetings outside the workplace. These informal relationships can be very valuable, as they allow people to exchange information and ideas in ways not always possible within the formal hierarchy.

Many organizations place high value on these informal relationships, and see them as primary catalysts for creativity and innovation. Two people discussing a problem over lunch may suddenly have insights which days of research by a formal research team had overlooked, simply because different points of view have been brought to bear. Nonaka Ikujiro and Takeuchi Hirotaka in their book *The Knowledge-Creating Company* describe how many leading Japanese companies rely on this kind of informal contact and communication to generate fresh new ideas. In Japan and the

West, organizations will often try to deliberately foster informal relationships by breaking down formal barriers and letting people from different departments work together, setting up e-mail discussion groups, organizing regular events for face-to-face discussions, or facilitating social events.

Organizations can encourage informal relationships by creating an atmosphere of tolerance, diversity and trust. Managers need to openly encourage people to come forward with opinions and ideas and to share these, in the knowledge that they will not be disciplined or ridiculed if their ideas are not generally acceptable. But organizations cannot control informal relationships, and in situations where there is distrust or antipathy between parts of the organization – especially between the lower levels of the hierarchy and top management – then informal relationships are often used to build alliances and create alternative power centres.

POWER AND DEPENDENCE

Not all relationships within an organization are relationships of equals. This is particularly true of formal relationships, which often involve one or more people reporting to someone senior to them in the hierarchy. Departments, divisions and business units may also have unequal relationships depending on size, income and resources, numbers of staff and so on. The guiding ideology of the company may play a role here, too: if the company considers itself to be 'marketing oriented' (see Chapter 5), then the marketing may, even sub-consciously, be considered to be the most powerful and important department in the organization.

But informal relationships can also be unequal. Informal relationships may develop between senior and junior staff members based on mutual need and assistance – for example, through mentoring – but other qualities besides seniority may intervene. Personal access to power and resources, personal charisma and ability to persuade others to see things one's own way all play a role. Groups, whether formally constituted or informally brought together, tend to establish an internal pecking order. Again, how this pecking order develops is outside the control of top management, and the emergence of informal leaders at lower levels cannot always be planned for.

'Power' is the ability to take actions or exert influence over others. Within formal hierarchies, managers have power over people who report to them; that is, those below them in the organization. In informal relationships, though, people tend to gather power around them according to their ability to do so, and their desire to do so. The result is that power becomes distributed around the organization in some unpredictable ways. This in turn can have unpredictable results. It can result in people feeling quite literally 'empowered', that is, recognizing that they can take control of their own work and its output, which in turn lends confidence and inspires creativity. But power needs to be exercised with discretion and for the good of the company; if it is not, then major problems can result.

Social psychologists John French and Bertram Raven identified six different types of power which can be found in organizations. These are as follows:

Coercive power This refers to the ability of people to gain the cooperation of others through the use of force, actual or threatened. An example of coercive power in an organizational sense might be the threat of dismissal or other punishments unless the other person carries out an order. In some cases this will be permissible within the terms of the person's formal contract within the organization, but this might not be acceptable in terms of their psychological contract. In other cases, coercive power goes well beyond the boundaries of what is ethically permissible; examples might include threatening to punish someone who is about to blow the whistle, or silencing victims of sexual harassment. But even when the use of coercive power is legitimate, there are still strong ethical implications surrounding its use.

Reward power The converse of coercive power is reward power, offering someone an incentive to do what we want them to do. Incentives can take many forms: extra pay or a bonus; promotion within the organization; extra time off or holidays; training or other personal development activities; 'perks' such as free tickets to sporting or cultural events. The most effective rewards are those that tie in with the individual's wants and needs. There are ethical issues here too; reward power must not be used unfairly, so that some individuals are favoured over others, and of course, the person offering the reward must actually have the power to make good on their promise.

Legitimate power This is a form of power that derives from the authority or position that a person holds in the organization. For example, the CEO is given authority over the entire organization, and therefore they have a reasonable right to expect others in the organization to do what the CEO wants them to do. Failure to do so can result in the other person being given a verbal or written warning, or even be dismissed from their post. Rather like coercive power, this form of power has ethical implications and care must be taken to use it fairly. The other point to mention is that legitimate power is usually inherent in a post, not a person. Legitimate power is conferred on CEOs by the board at the moment they take up their role; when the CEO leaves that role, power is removed from their hands.

Referent power Unlike legitimate power, referent power rests within ourselves and is dependent on our ability to make connections with other people and get their attention. Referent power is often associated with charismatic personalities. Skilled public speakers, for example, are able to sway people through the power of their oratory. Again, there are ethical issues. Charisma in individuals sometimes disguises narcissistic or psychopathic tendencies, and the individual may be using their referent power for purely personal ends, to the disadvantage of others.

Expert power This type of power derives from personal knowledge and experience, including education. Doctors, graphic designers, software programmers, lawyers, accountants, engineers, even artists all have a degree of referent power because their skills and knowledge enable them to do things other people cannot do. Because people in the rest of the organization need their services, this gives them an element of power.

Informational power 'Knowledge is power', as the old saying goes, and the concept of informational power reflects this. What we know gives us power, especially if other people do not have access to the same knowledge and information that we do. Sometimes managers are tempted to increase their own power by acting as 'gatekeepers' of information, refusing to share with others what they know. The question must be asked as to whether they have any ethical or legal right to do so.

CONTROL AND CO-ORDINATION

Power leads to control. Early management texts spoke repeatedly of the need for control; there was a belief that top management provided the impetus and the will that drove the organization, and that control needed to be exercised in order to ensure that the rest of the organization fell into line.

However, there are doubts about what control can really achieve, as well as reservations about how ethical it is to control other people. In the 1920s the American political scientist Mary Parker Follett argued that co-ordination was far more likely to be effective than straight control; that is, rather than issuing orders and expecting them to be obeyed, managers and leaders of organizations would do better to create a climate in which people knew what needed to be done and would act without direct orders.

Control seeks to dominate people and tell them what to do; co-ordination seeks to provide a framework within which people work towards a mutually agreed end. In nearly every case, the latter will always be seen as desirable, and a major portion of the manager's task is to provide and maintain such co-ordination frameworks. But for co-ordination to work, the environment within the organization must be one that encourages people to take responsibility and to act without necessarily waiting for orders. Co-ordination works best when there is a large degree of democracy and staff are willing to think and act independently. If they are not, then there may be no alternative but to accept the need for top-down control until the culture of the organization can be changed.

CULTURE

The culture of an organization can greatly affect its behaviour. By 'culture', we mean the shared values, beliefs, attitudes and ways of doing things that are shared by everyone – or at least the great majority of people – in the organization. These common beliefs and values mean that people in an organization will perceive things in one way, while people in another organization will perceive them in quite a different way. This can happen even within different parts of the same organization. The 'Big Four' accounting firms – PwC, Ernst & Young, Deloitte and KPMG – have consulting practices along with their core accountancy practices. The difference in culture between these two practices are remarkable, and at times it seems that their respective consulting arms have more in common with each other than they do with the accountancy practice within the same firm.

Culture can be a powerful positive force, or an equally powerful negative force. A 'progressive' culture that encourages creativity, innovation and change can help to keep a business competitive. On the other hand a 'conservative' culture that values existing routines and ways of doing things and sees change in a negative light can be a major drawback. Changing an existing culture is one of the most problematic and difficult tasks in management, and requires patience and strong leadership.

Culture is also difficult to appreciate because it cannot really be measured. Descriptions of cultures are always subjective, using terms like 'progressive', 'conservative', 'market-oriented', 'innovative', or often combinations of such terms. Even these terms, though, only give a brief idea of what an organization's culture is like. Those who study culture often do so in ways that even they find hard to define and describe. The Indian academic Sumantra Ghoshal spoke metaphorically of how some companies have a certain 'smell' and it is possible to 'sniff out' the atmosphere in a company soon after first arriving on the premises, and some consultants and business advisors mention the same phenomenon. This technique can be very useful, but it is also almost impossible to measure and record. Culture is one of the great intangibles of organizations, yet at the same time it is of paramount importance.

EFFECTIVENESS

Organization behaviour is important because, quite simply, how an organization behaves determines its effectiveness. If the people and groups within the organization work together well, communications are good, innovation and creative ideas are valued and encouraged, change is seen as a positive thing and the atmosphere is generally good, then the organization will in all probability be effective and productive. If the opposite of these things applies, then the organization will almost certainly be suffering from major problems.

LEADERSHIP

All of the above comments point to the fact that leadership is essential to any organization. When any of the above elements – motivation, communication between groups, good relationships, power and control/co-ordination, culture – is lacking or is out of kilter with the needs of the organization, then it is the leaders who must intervene to rectify the situation. Leaders can help motivate their people; leaders are required to direct cultural change; leaders can provide the stimulus for relationships and co-ordination. Leaders can and should influence the behaviour of organizations, and this in turn influences effectiveness and, ultimately, profitability.

Leaders do not just lead by giving orders. They also serve as an example to other members of the organization. The leader must not only be committed to the organization, but also to be seen to be committed; if the leader's actions and words do not match, then other members of staff will begin to have doubts. 'Do as I say, not as I do' is never a credible maxim for a leader. 'Follow me and work with me' is more likely to produce the desired effect. A popular metaphor for business leadership is the relationship between an orchestra conductor and their players. The conductor does not tell the players what to do; they already know how to play their instruments, possibly better than the conductor does. Instead, the conductor provides a kind of guide and reference point to which the players can look, indicating tempo and changes. Good conductors do not lead the orchestra, they carry it with them.

Finally, the leader has a role to play in planning and stimulating change. They do not necessarily lead change or direct it, but they provide a catalysis, a source of inspiration and motivation for change that gradually spreads throughout the organization. Particularly in the present era, when change is a constant pressure for most organizations, the leader's judgement as to what needs changing and when and his or her subsequent ability to manage that change is one of the most precious things an organization can have.

ORGANIZATIONAL CHANGE

Much has been said above about change in organizations. Change is an important issue because the environment in which businesses operate is itself is constantly changing. Customer needs and tastes change. New technology makes new products, and new methods of production, possible. Competitors make new moves, enter markets and launch new products that can threaten the competition position of existing businesses. Governments introduce new laws and regulations. Social pressures require businesses to conform to new expectations concerning ethical behaviour, or the natural environment for example. Sudden unplanned events like financial crises or pandemics require organizations to change rapidly and adapt in order to stay afloat. And things change inside the organization, too; people come and go, and even for those who stay, needs and motivations change.

Some argue that change is a constant: 'the only thing you can be sure of is that everything is changing' is an often heard expression of this view. The argument that change is a continuous process suggests that businesses and management need to be constantly changing as well in order to keep pace. Others see change as a much more uneven phenomenon. Andrew Grove, chairman of semiconductor maker Intel, suggests that there tend to be intervals of stability punctuated by sudden and unexpected change. These times of change, which Grove terms 'strategic inflection points', can neither be predicted nor planned for; all the organization can do is use the times of stability to make sure it is sufficiently strong and flexible to withstand change. Another recent author, Jim Collins, argues in his book *Good to Great* that some things are changing steadily while others are not; for example, technology may be changing all the time, but there are some fundamentals of management that remain constant. One of the arts of management, says Collins, is to know what to change and when to change it, and what to leave alone.

UNPLANNED CHANGE

Change can be divided into two types, unplanned change and planned change. Unplanned change consists of changes in the environment, moves by competitors and regulators, evolving needs of customers and more, that are outside the control of the business. However, organizations themselves change in unplanned ways. Just as people themselves change, their needs and motivations evolving in response to different stimuli, so organizations as a whole will change and evolve as well. Unplanned and unsought, this kind of change can have hard consequences for management.

Examples of unplanned change include the loss of key staff members, especially senior managers and leaders, with a consequent loss of impetus and motivation in the organization; the emergence of new and unofficial groups or alliances of employees with their own personal agenda for change (or for resisting change); sudden breakthroughs by research teams, or the emergence of new creative ideas elsewhere in the organization that change ideas and attitudes; sudden unforecast growth in key markets; and so on. The list of possibilities is almost endless. Practising managers are familiar with the phenomenon whereby the organization changes and evolves, steadily and imperceptibly, in response to a variety of internal and external pressures. Very few organizations end looking like they did when first founded.

PLANNED CHANGE

Planned change, by contrast, is that which is desired and needed by the organization and its managers, who will deliberately set changes in motion. There is an irony that, while unplanned changed happens whether the manager wants it or not and is usually unstoppable, planned change can be very difficult to implement.

Example of planned change can include the introduction of a new product line, the implementation of a new production technology, the introduction of new financial control and reporting systems, reshaping the organization to change the structure of its departments and divisions or switch to a new organizational type such as the matrix organization or virtual organization (below), increasing the size of the organization by hiring new people, or decreasing the size by making people redundant, or changing strategic direction to focus on new goals. Again, there is virtually no limit to the kinds of changes that can be planned, provided the organization has the resources and capacity to carry them out.

BARRIERS TO CHANGE

Planned changes must of course be costed and prepared for. The resources the business needs, including financial resources, must be available and put in place. Many change programmes fail because they are improperly prepared for. Failure to adequately estimate costs is a common mistake; changes turn out to be more expensive than estimated, and the business suddenly finds it does not have enough money to carry the changes through. Thus changes must be carefully planned; contingency planning (what managers will do if things start to go wrong) is usually also called for.

The most difficult barriers to change, however, often come within the organization. Unless the organization's leaders and other key managers can explain the proposed changes to other staff and persuade them that the changes are in the organization's best interests, there is a risk that staff will resist the changes and try to thwart them. The organization behaviour theorist Chris Argyris describes what he calls 'defensive routines': acts of resistance by staff against changes with which they do not agree. Sometimes staff will be motivated by fear for their personal positions, reluctant to exchange present security for future uncertainty. Sometimes too they will see the proposed changes as threatening to the organization as a whole; believing that they know better than top management what is good for the organization, they will take independent action to thwart the latter. Defensive routines can be as simple as passive resistance, refusing to carry out instructions or pass on information, or more active resistance such as protests, complaints or even industrial action such as strikes.

FORMS OF ORGANIZATION

As noted, the elements of organization can be combined in many different ways, and each organization will be unique. Nonetheless, some basic forms of organization are particularly widespread. There is usually, at any given type, an orthodox view of an ideal type of organization, along with other and more radical approaches. In practice, most businesses tend to be hybrids, with elements of more than one ideal type. There follows a brief look at some of the most important and influential ideal types as they have evolved over time.

CENTRALIZED ORGANIZATIONS

The first forms of business organization tended to be very centralized, reflecting perhaps the social conditions of the time.

Society in the eighteenth and nineteenth centuries was very authoritarian compared to today, even in democracies such as the USA and Britain. Business organizations tended to reflect other forms of already existing organization.

FAMILY

The family is probably the oldest form of social organization, and for many centuries businesses in particular were organized along the same lines as families. Until the late nineteenth century the vast majority of businesses, no matter how large, were owned by the members of a family, sometimes an extended family. These family owners usually also controlled senior managerial posts. Businesses had strong hierarchies and there was an emphasis on control. The atmosphere was very paternalistic; the owner/managers expected unquestioning obedience from their staff, but at the same time had a responsibility to look after the people who worked for them, often in their private lives as well as at work. Family organizations had fewer divisions and semi-independent business units, and control was very much in the hands of a few people at the top.

The family model of organization remains strong in some parts of the world. Many powerful corporations in Hong Kong and South-East Asia are structured along family lines; examples include Cheung Kong, owned by the Li family, and Kerry Everbright, owned by the Kwok family. In southern Europe, too, family-style organizations still exist, with a single patriarchal figure controlling the company.

Family organizations tend to be quite strong and yet also flexible, provided that the dominant team at the top are capable managers. When they are not, because control is so highly centralized, people lower down the organization are unable to take corrective action and fix problems because they do not have the authority to do so. Samsung, whose owner/chief executive was imprisoned for bribing South Korean government officials, is a case in point; according to evidence at his trial, the senior executive team of Samsung operate in a culture of secrecy with little oversight, and junior managers have no power to change the situation.

BUREAUCRACY

Bureaucratic forms of organization first appeared in civic bodies such as governments and the church, and also in the army. Bureaucracies have very strong hierarchies; indeed, it can sometimes seem that preserving and maintaining the hierarchy is their primary objective. There is an emphasis on legitimate power, and senior members tend to exercise a high degree of control over their juniors. Large bureaucracies also tend to have many layers of management between the top and the bottom.

The aim of bureaucracy is to allow senior management to control the organization effectively, in a system where everyone knows their role and works together with individual efforts meshing together like cogs in a machine. In fact, the effect is often the opposite: orders from the top of the organization never reach the lower levels, or reach them in a distorted form, thanks to the filtering effect of the many layers in between. David Packard, co-founder of Hewlett Packard, once compared managing a bureaucracy to pushing on one end of a forty-foot rope and getting the other end to do what you want.

Because bureaucracies are so difficult to control, people elsewhere in the organization can create power centres of their own. A particularly popular or charismatic manager will gather around himself or herself a circle of like-minded people. These in turn will use their power to gather more loyal subordinates, until in time this group is able to influence policy and strategy throughout the organization. When there are several of these power centres, each with its own agenda and group of loyal followers, the entire organization can become paralyzed while the rival groups fight for control.

Bureaucracies are also resistant to change. By their nature, bureaucracies are meant to create stability rather than change. But the lack of control from the top means that when change is necessary, people who wish to resist change find it easy to do so.

LINE AND STAFF

The line and staff organization is a modified form of bureaucracy. It too was adapted from the army, and was popular in twentieth-century management circles thanks to the efforts of two early gurus, the American Harrington Emerson and the Briton Lyndall Urwick. The line and staff model attempted to preserve the best features of bureaucracy – control, reporting and information flows, clear definition of roles and responsibilities – while introducing more flexibility and co-operation within the organization.

The line and staff organization has two elements: the line, or 'front-line' departments, particularly those involved in production and marketing, and the staff, advisors and experts who work with the line departments to improve methods, efficiency, productivity and so on. In the original conception, functions such as finance, research and development, human resources and the like would work closely with production and marketing to find new and better ways of working and managing. Emerson compared these two parts of the organization to the hands and the brain, the one guiding and controlling, the other actually doing.

Unfortunately in practice the line and staff organization proved to be as inflexible as the original bureaucracies. In particular, the 'staff' functions tended to regard themselves as superior to the 'line', and instead of working co-operatively tended to issue orders and expect them to be followed. Although it enjoyed considerable popularity as late as the 1950s, the line and staff organization has now all but disappeared.

M-FORM

M-form (the M stands for 'multi-divisional') organizations attempted to get around the problem of the conflict between line and staff by offering the line more autonomy. M-form organizations break up the business into several different divisions. At Du Pont Chemicals, the first modern M-form organization, there were three separate divisions; General Motors, which adapted the form as it expanded, had six divisions, each devoted to a specific type of car ranging from the luxury Cadillac to the cheap but reliable Chevrolet. Each division was left to conduct its business largely as it chose, so long as it met targets set by the head office. The head office consisted of a relatively small group of managers who set overall strategy and analyzed performance, but did not intervene in day-to-day management unless a crisis ensued.

The M-form system was only really feasible with large organizations, but it became very popular. Other successful twentieth-century companies that used it included Sears Roebuck and Standard Oil (New Jersey). It in turn evolved into the conglomerate form which characterized business from the 1930s to the 1970s, the most spectacular example of which was the American firm ITT, led by Harold Geneen. M-forms and conglomerates worked, but only so long as their top management, especially the management team at head office was of the very highest quality. General Motors was a huge success partly because the chairman, Pierre du Pont was able to gather around him one of the finest management teams in business history. But as Jim Collins points out in his recent book *Good to Great*, great management teams never last; their members retire or move on. Something more enduring is required for lasting success. M-forms and conglomerates could not meet that challenge, and proved impossible to manage by less capable people.

DECENTRALIZED ORGANIZATIONS

Although M-forms represent an attempt at decentralization, the real push to decentralize came in the late twentieth century. This change can be seen as a response to two phenomena: the increasing social emphasis on the individual and the perception that democracy and free markets offered the best chance for the individual to flourish, and more directly, the growing lack of competitiveness of many American and European businesses in the face of aggressive competition from Asia, first from Japan and later from South Korea, China and India.

FLAT ORGANIZATIONS

The first step was to 'flatten' organizational hierarchies by stripping out layers of management, usually mid-level managers, from the hierarchy. The aim was to bring the top and the bottom of the organization closer together, eliminating alternative power centres and focusing the whole organization more closely on its goals. While not actually decentralization as such, this practice did result in more individual responsibility being handed down to lower levels of the organization. Flat organizations were also more efficient because having fewer managers on staff meant lower costs.

Not everyone agrees that flat organizations are a good thing. The Japanese management scholar Nonaka Ikujiro believes that a critical mass of management is necessary for effectiveness; too few managers and the company becomes overstretched and cannot properly conduct functions such as knowledge management (see Chapter 8). Andrew Grove, leader of the semiconductor maker Intel, also believes that a sizeable pool of managers is needed in order to ensure creativity and flexibility. The problem is that the shape of the hierarchy and the number of managers are two separate problems. A flatter hierarchy has been shown by studies to pay dividends in terms of flexibility and co-ordination. The answer is to reconfigure the organization in such a way as to allow these benefits, without necessarily shrinking the pool of management talent.

ORGANIC ORGANIZATIONS

One way of doing so is to conceive of organizations in organic terms rather than the mechanistic approach used in bureaucracy. Organic organizations are said to function naturally, working together in an almost instinctive co-ordination rather than requiring overt direction. Just as human beings do many basic things like walking, talking and eating without conscious effort, so organizations ought to be able to simply work together without control. Organic organizations are also in tune with their environment, recognising its influences and adapting and evolving in response to environmental change; they thus are pre-disposed to be flexible, adaptable and accepting of change.

Organic organizations have been talked about for a long time, and comparisons of organizations and living organisms can be found in writings on governance as far back as the Middle Ages. In the 1980s and 1990s the discussion took on a new turn as increasing emphasis began to be placed on the human element in organization, especially in people as repositories and transmitters of organizational knowledge. The Dutch writer Arie de Geus, formerly a senior manager with Royal Dutch/Shell, argued in his book *The Living Company* that ideally organizations should be made up of self-regulating systems which function in natural harmony.

In fact, organic organizations already existed in highly developed forms in other parts of the world. India has a number of large, diversified business groups, usually founded by a single family. From some angles these still look like family businesses, and they also have features of conglomerates. But they also grow and adapt organically, opening new business units to take advantage of new opportunities, closing others when the market no longer exists. The largest of these, the Tata Group, has more than 100 business units in sectors as various as steel, chemicals, automobiles, beverages, watchmaking and jewellery, hotels, telecommunications and IT consultancy, and a global turnover of more than $100 billion. Although still very much associated with the Tata family, the group is majority owned by a series of charitable trusts. Business units within Tata operate semi-independently, collaborating with each other rather than being controlled by the centre.

MATRIX ORGANIZATIONS

Matrix organizations do not do away with vertical hierarchy, but instead introduce another, overlapping layer of organization. For example, a company that has a standard functional division – production department, marketing department, HR department and so on, each reporting through a vertical hierarchy to departmental senior managers – may also institute a series of operating units based on particular products, or on specific markets. These new units do not substitute for the old hierarchy, but instead work in parallel with it.

The matrix organization at the Swedish-Swiss engineering firm Asea Brown Boveri (ABB) was the brainchild of the company's inspirational chief executive Percy Barnevik. ABB actually used a combination of product-based and market-based operating divisions. For example, there were turbine and electrical equipment divisions, and the managers of these operated on a global basis. But there were also specific national divisions for the USA, Britain, Germany and so on, representing all product lines in their particular markets. This structure formed the core of Barnevik's 'think global, act local' approach to business which sought to gain the advantages of globalization along with the flexibility of local markets.

Matrix organizations have their problems, though, not least of which is the fact that individual members of staff may end up taking instructions from two different managers, and when these have different priorities, conflict ensues. Matrix organizations work, but only when they have strong and visionary leaders who can pull the organization together behind them.

NETWORKS

The idea of designing organizations as networks has also been around for a long time, but has received increasing support in recent years from advances in both communications technology and neuropsychology, both of which have advanced understanding of how networks are designed and how they function. In their book *The Individualized Corporation*, Sumantra Ghoshal and Christopher Bartlett state that networks offer a third alternative to the problem of whether parts of the organization should be closely tied to each other or left autonomous. Rather than dependence or independence, they say, the answer is 'interdependence', with people, departments and business units existing separately and in a state of equality, each concentrating on their own specialism but linked by a network that ties all the parts closely together and gives them a common purpose.

Ghoshal and Bartlett list a number of organizations which have used networks successfully including ABB (above), 3M and McKinsey, the management consulting firm. There is little doubt that networks are very powerful, but again, they require strong and effective leadership; without this, there is the danger that co-ordination will fail and the organization will lose its focus.

VIRTUAL ORGANIZATIONS

One of the newest forms of organization to come under scrutiny is the virtual organization, first proposed in the 1980s. Virtual organizations are much like networks but they are also geographically dispersed and are deliberately 'fuzzy' in nature. Not only does the virtual organization have few offices or physical facilities – its only tangible assets are people and the computers and other technology they need to process work and maintain communications – but it can sometimes be difficult to tell where the organization begins and ends. Other parties, suppliers, even customers, can be temporarily or permanently included in the organization if they are made part of its networks. Anyone can be part of a virtual organization, no matter where they are; location is no longer important.

The virtual organization has several advantages. First, it is cost-effective, with few requirements for expensive premises. Second, it is very flexible: virtual organizations can be designed, set up, changed or dismantled much more quickly than more conventional organizations. Finally, it is very responsive and can quickly adapt to changing needs or market conditions. That said, the virtual organization is not always suitable for every kind of business. It works best in areas like consulting or financial services, where the product or service being delivered is intangible. It would be impossible to mine uranium or build ships on a virtual basis; but the principles of communication and integration that lie at the heart of the virtual organization may have utility elsewhere as well.

The virtual organization was thrust into the spotlight during the opening weeks of the Covid-19 pandemic in 2020, when many organizations were forced into virtual operations. Some very large and powerful corporations became virtual organizations almost overnight as employees were forced to stay home and isolate. The pandemic showed that virtual organization can work, although as we discussed in the previous chapter, working virtually does not suit everyone.

One of the lessons of the pandemic was that how well organizations can work virtually depends on their culture. Organizations with an emphasis on coordination and networked working, with fewer layers of hierarchy and good lines of communication, were able to adapt quickly; more hierarchical, control-dominated organizations where communications were poor very often struggled to adapt. In some cases, parts of the hierarchy had to be cut out or bypassed in order for the organization to adapt and continue working. The lessons of the pandemic will continue to influence how we organize and how we work for many years to come.

This quick tour of organizational forms shows that there is no 'one best way' to organize. The right structure must be determined by each organization on the basis of its own needs. Influencing factors will include culture, the nature of the workforce, the nature of the sector in which it operates, and the needs of customers and clients. There is only one thing that every organizational structure needs: the flexibility to change and adapt, so that when change and crisis come the organization can pivot to meet the situation.

SUMMARY

- Organizations are composed of individuals working with technology.
- The basic structure of any organization is the relationship between the individuals within it, either through formal hierarchy or informal networks.
- No two organizations are identical: all are influenced by their environment and the people within them, and develop unique characteristics.
- Organizations are not static; they are dynamic. They change, grow and evolve over time, often outside the direction or control of their leaders.
- There are many different forms of organization, but the 'right' form must always be determined by fitness for purpose.

SUGGESTIONS FOR FURTHER READING

There is a huge literature on organizations and organization behaviour, much of it highly technical. The following are (mostly) accessible:

Argyris, C., *Management and Organizational Development*, New York: McGraw-Hill, 1971. Even senior academics sometimes complain that Argyris's books are dense and hard to read, but this one in particular repays the time and effort. Particularly important is the section on defensive routines.

Brown, G., *The Independent Director*, Basingstoke: Palgrave Macmillan, 2015. An excellent and accessible account of the role played by boards, with a special focus on non-executive directors.

Burkus, D., *Leading From Anywhere: Unlock the Power and Performance of Remote Teams*, London: Nicholas Brealey, 2021. Good introductory work on working remotely and virtual organizations, referring to both before and during the Covid-19 pandemic.

Collins, J., *Good to Great*, New York: Random House, 2001. A study of what makes great companies, with much useful material on how companies are organized and structured for best effectiveness.

Frost, S. and Alidina, R.-K., *Building an Inclusive Organization: Leveraging the Power of a Diverse Workforce*, London: Kogan Page, 2019. Important work on how diversity and inclusion can improve organizational performance.

Ghoshal, S. and Bartlett, C.A., *The Individualized Corporation*, New York: HarperCollins, 1997. Has some very interesting things to say about the relationship between the organization and the individuals within it.

Grove, A., *Only the Paranoid Survive: How to Exploit the Crisis Points that Challenge Every Company and Career*, New York: HarperCollins, 1996. Good, readable memoir of a senior executive describing candidly how to lead during a crisis.

Mattiske, C., *Leading Virtual Teams: Managing From a Distance During the Coronavirus*, New York: The Performance Company, 2021. Reflects on the challenges of managing virtually during the early stages of the pandemic in 2020, but with useful lessons for all virtual organizations.

Mintzberg, H., *Power in and Around Organizations*, Englewood Cliffs, NJ: Prentice-Hall, 1983. A look at the dynamics of organization from one of management academia's most original thinkers.

Morgan, G., *Images of Organization*, Newbury Park, CA: Sage, 1986. A very powerful and readable book which shows just how complex organizations are, and how no one theory ever suffices to fully explain them.

Pfeffer, J., *Managing With Power: Politics and Influence in Organizations*, Boston: Harvard Business Review Press, 1993. Explains the role of power within organization, especially the power to get things done.

Van Knippenberg, D. and Hogg, M., *Leadership and Power: Identity Processes in Groups and Organizations*, New York: Sage, 2004. Very useful book which explains how leaders manage to get things done and the different approaches to power that leaders can take.