

Organization Development and Change

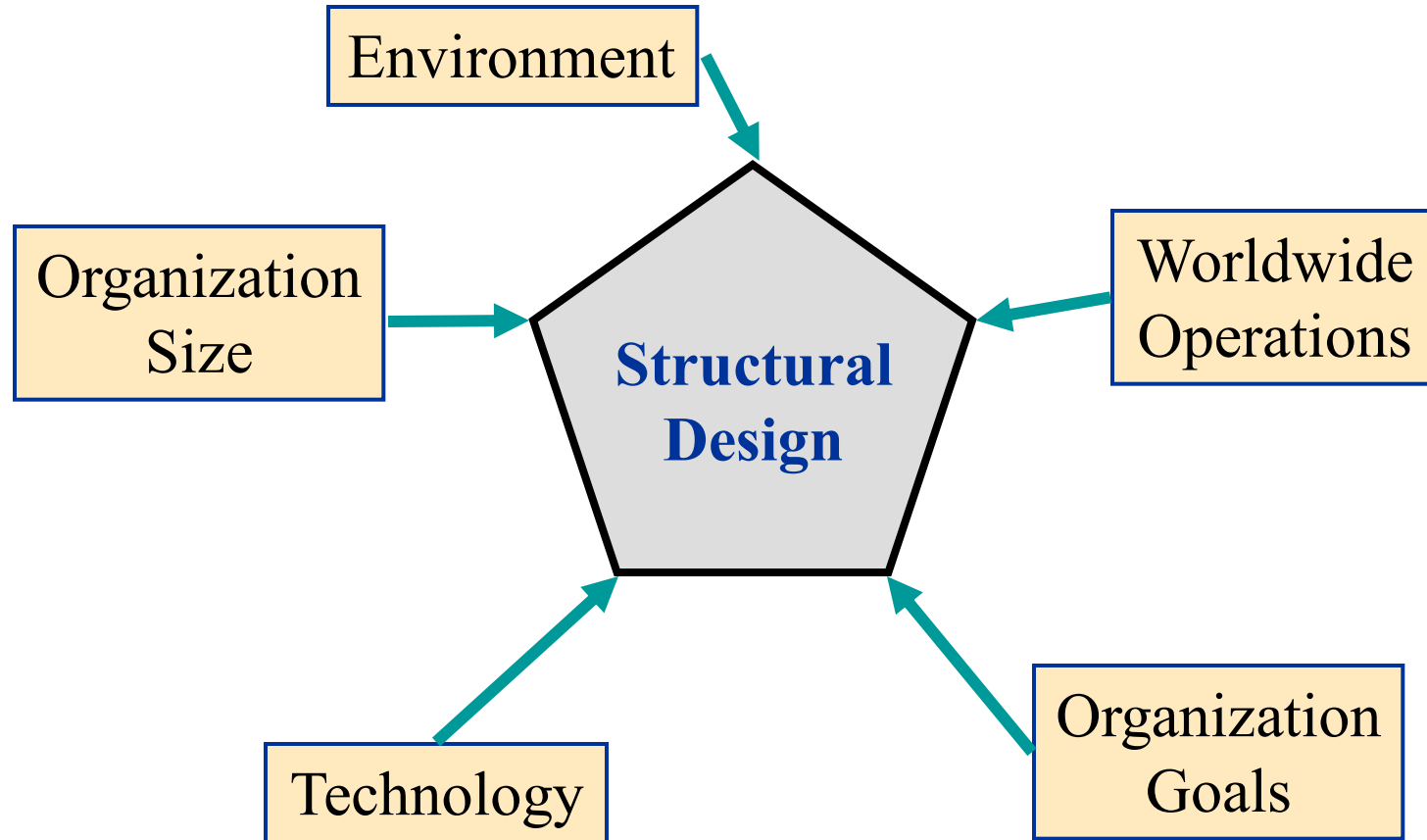
Chapter Fourteen: Restructuring Organizations

Thomas G. Cummings
Christopher G. Worley

Learning Objectives for Chapter Fourteen

- To understand the basic principles of technostructural design
- To understand the three basic structural choices and two advanced structural choices available to organizations
- To understand the process of downsizing and reengineering

Contingencies Influencing Structural Design



Functional Organization



The Functional Form

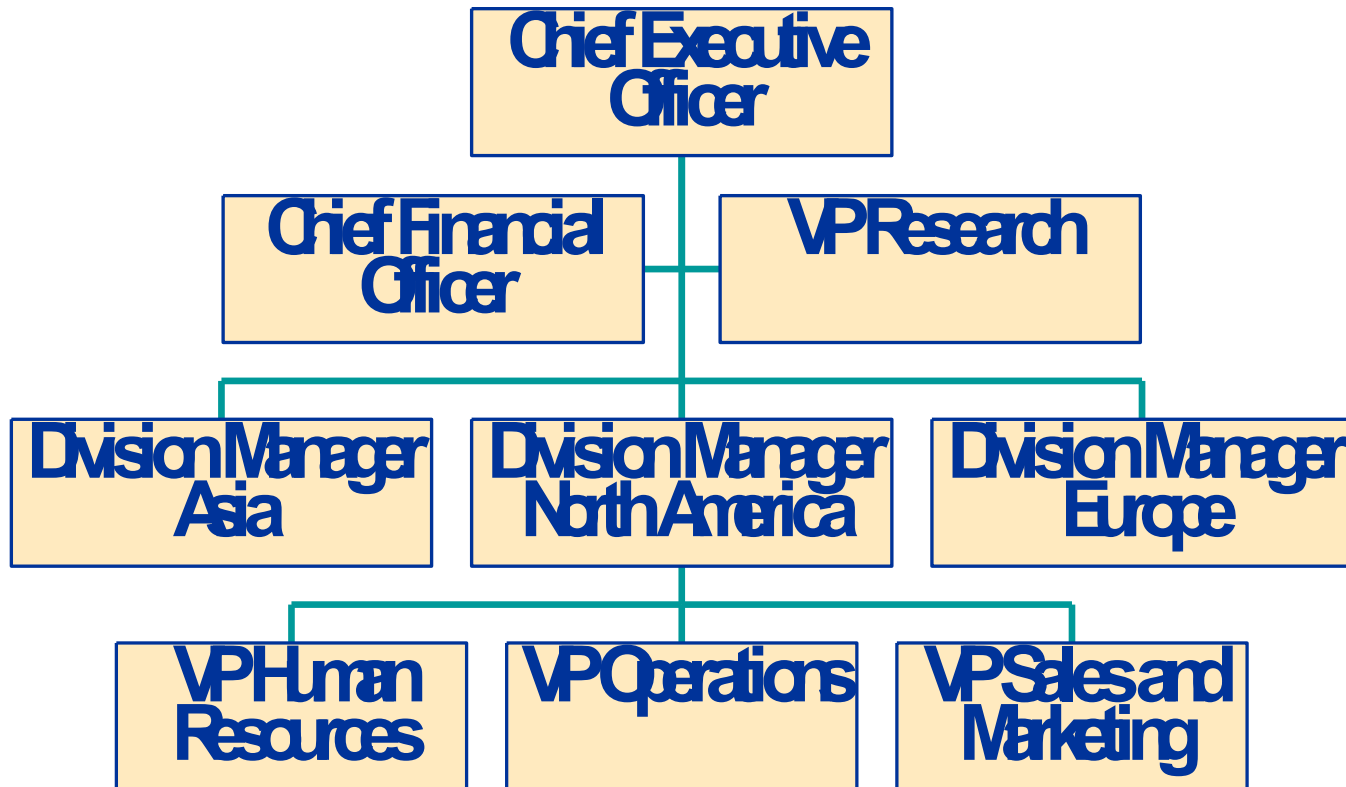
Advantages

- Promotes skill specialization
- Reduces duplication of scarce resources and uses resources full time
- Enhances career development for specialists within large departments
- Facilitates communication and performance because superiors share expertise with their subordinates
- Exposes specialists to others within same specialty

Disadvantages

- Emphasizes routine tasks; encourages short time horizons
- Fosters parochial perspectives by managers and limits capacity for top-management positions
- Multiplies interdepartmental dependencies; increases coordination and scheduling difficulties
- Obscures accountability for overall results

The Divisional Organization



The Divisional Form

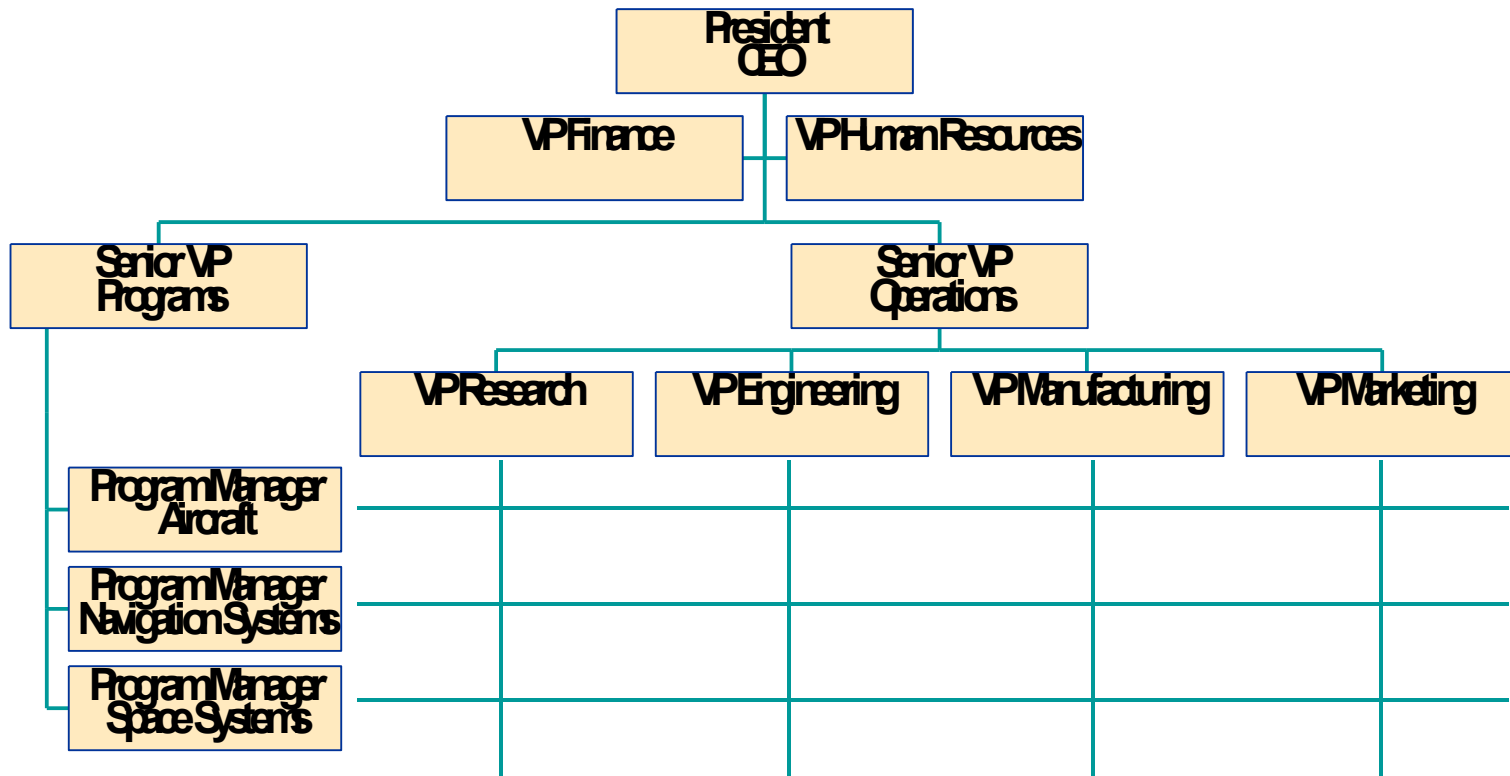
Advantages

- Recognizes interdepartmental interdependencies
- Fosters an orientation toward overall outcomes and clients
- Allows diversification and expansion of skills/training
- Ensures accountability by departmental managers and promotes delegation
- Heightens departmental cohesion and involvement in work

Disadvantages

- May use skills and resource inefficiently
- Limits career advancement by specialists
- Impedes specialists' exposure to others within same specialties
- Puts multiple-role demands upon people and creates stress
- May promote departmental objectives as opposed to overall organizational goals

The Matrix Organization



The Matrix Structure

Advantages

- Makes specialized, functional knowledge available to all projects
- Use people flexibly
- Maintains consistency by forcing communication between managers
- Recognizes and provides mechanisms for dealing with legitimate, multiple sources of power
- Can adapt to environmental changes

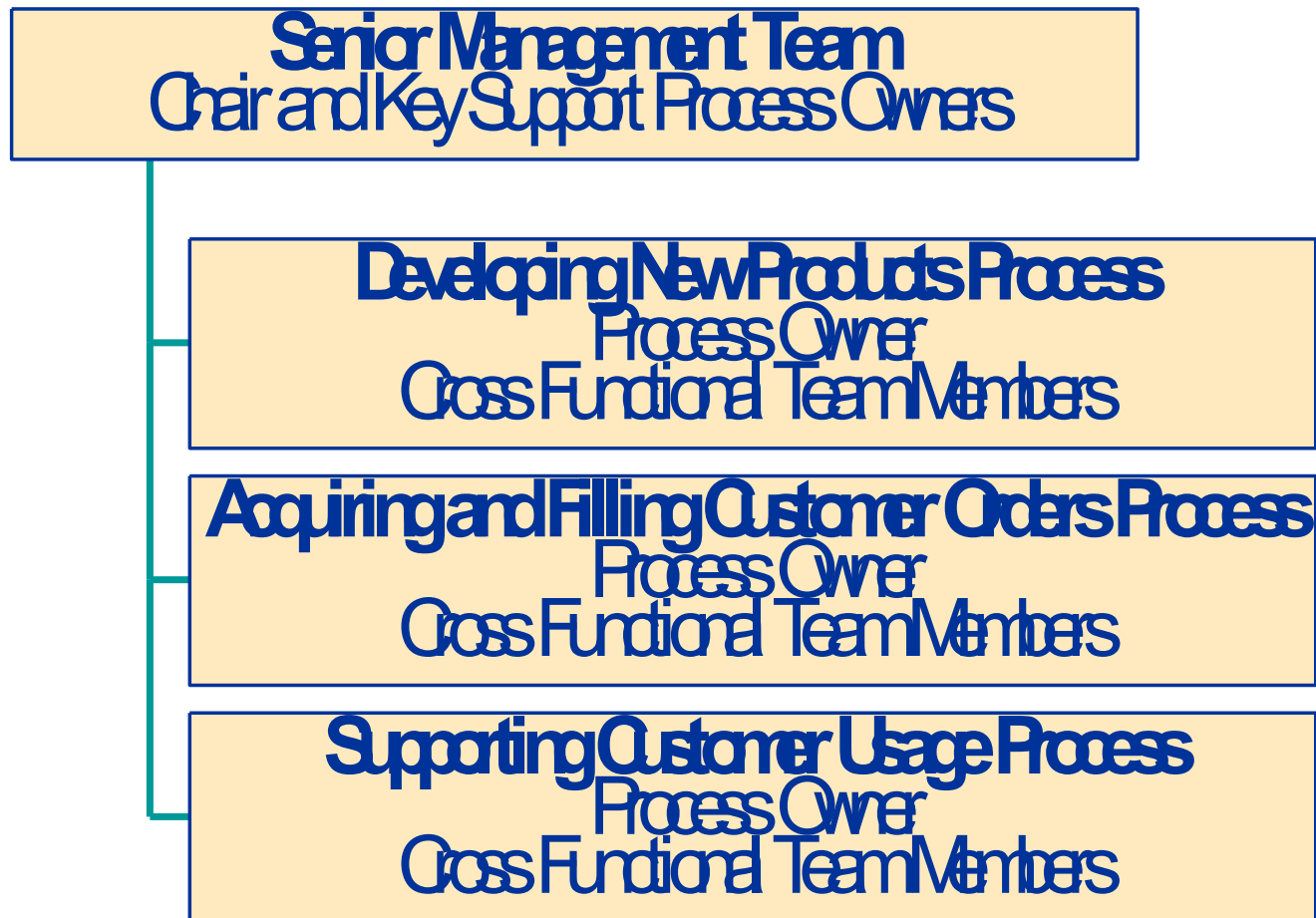
Disadvantages

- Can be difficult to implement
- Increases role ambiguity, stress, and anxiety
- Performance is lowered without power balancing between projects and functions
- Makes inconsistent demands and can promote conflict and short-term crisis orientation
- May reward political skills over technical skills

Characteristics of Process-Based Structures

- Processes drive structure
- Work adds value
- Teams are fundamental
- Customers define performance
- Teams are rewarded for performance
- Teams are tightly linked to suppliers and customers
- Team members are well informed and trained

The Process-Based Structure



The Process-Based Form

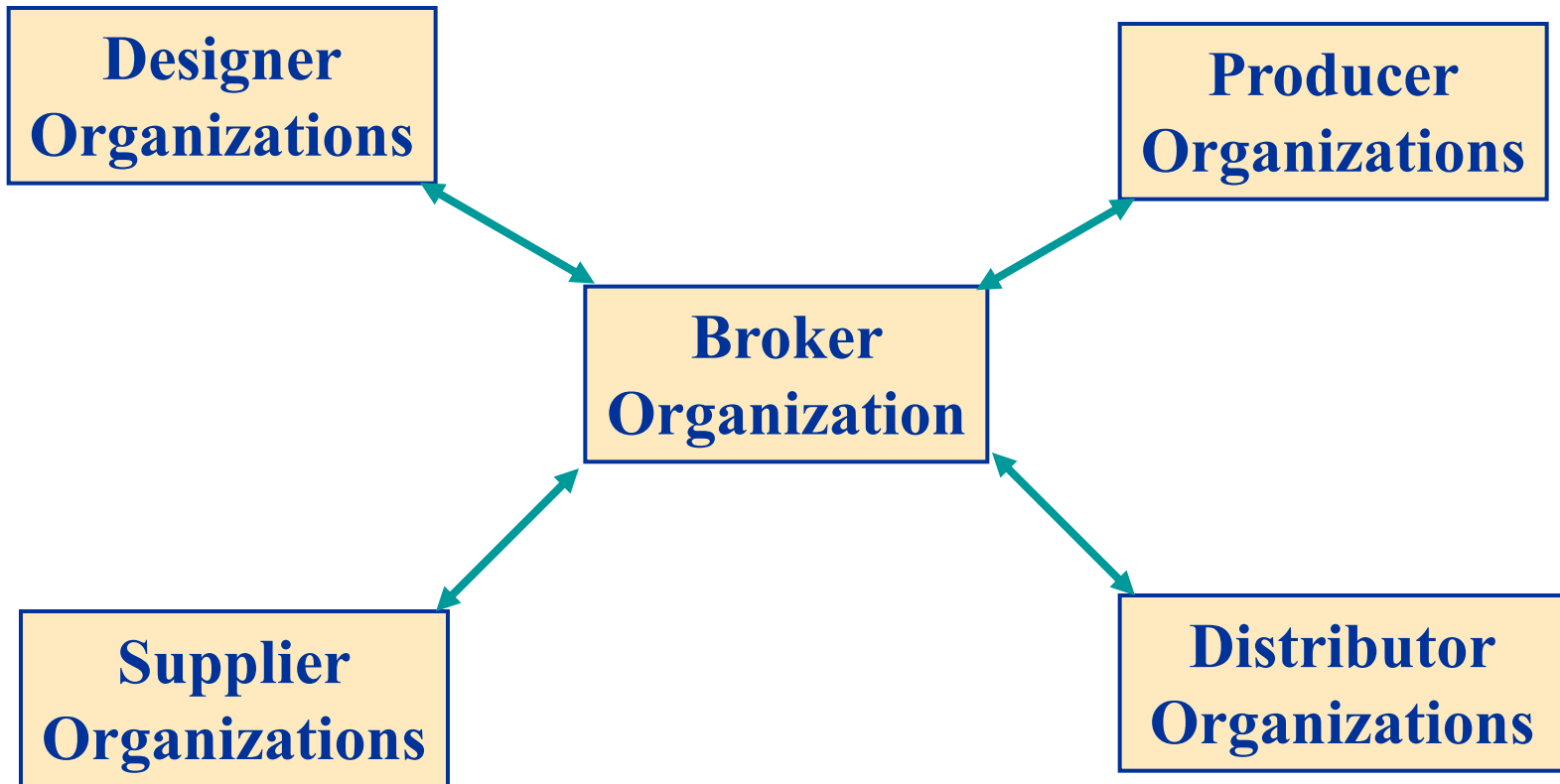
Advantages

- Focuses resources on customer satisfaction
- Improves speed and efficiency
- Adapts to environmental change rapidly
- Reduces boundaries between departments
- Increases ability to see total work flow
- Enhances employee involvement
- Lowers costs due to overhead

Disadvantages

- Can threaten middle managers and staff specialists
- Requires changes in command-and-control mindsets
- Duplicates scarce resources
- Requires new skills and knowledge to manage lateral relationships and teams
- May take longer to make decisions in teams
- Can be ineffective if wrong processes are identified

The Network Organization



Types of Networks

- Internal Market Network
- Vertical Market Network
- Intermarket Network
- Opportunity Network

The Network-Based Form

Advantages

- Enables highly flexible and adaptive responses
- Creates a “best of the best” firm to focus resources on customer and market needs
- Each organization can leverage a distinctive competency
- Permits rapid global response
- Can produce “synergistic” results

Disadvantages

- Difficulty managing lateral relationships across autonomous organizations
- Difficulty motivating members to relinquish autonomy to join network
- Sustaining membership and benefits can be problematic
- May give partners access to proprietary knowledge and technology

The Downsizing Process

- Clarify the organization's strategy
- Assess downsizing options and make relevant choices
- Implement the changes
- Address the needs of survivors and those who leave
- Follow through with growth plans

Downsizing Tactics

Tactic	Characteristics	Examples
Workforce Reduction	<ul style="list-style-type: none"> • Reduces headcount • Short-term focus • Fosters transition 	<ul style="list-style-type: none"> • Attrition • Retirement/buyout • Layoffs
Organization Redesign	<ul style="list-style-type: none"> • Changes organization • Medium-term focus • Fosters transition & transformation 	<ul style="list-style-type: none"> • Eliminate functions, layers, products • Merge units • Redesign tasks
Systemic	<ul style="list-style-type: none"> • Changes culture • Long-term focus • Fosters transformation 	<ul style="list-style-type: none"> • Change responsibilities • Foster continuous improvement • Downsizing is normal

The Reengineering Process

- Prepare the organization
- Specify the organization's strategy and objectives
- Fundamentally rethink the way work gets done
 - Identify and analyze core business processes
 - Define performance objectives
 - Design new processes
- Restructure the organization around the new business processes.

Characteristics of Reengineered Organizations

- **Work units change from functional departments to process teams**
- **Jobs change from simple tasks to multidimensional work**
- **People's roles change from controlled to empowered**
- **The focus of performance measures and compensation shifts from activities to results.**
- **Organization structures change from hierarchical to flat**
- **Managers change from supervisors to coaches; executives change from scorekeepers to leaders**